Satyam Computer Services Limited

(a company with limited liability incorporated under the laws of the Republic of India, with its registered office in Secunderabad, India)

Admission to listing and trading on Euronext Amsterdam of up to 205,316,110 American Depositary Shares, representing 410,632,220 of our equity shares with a par value of Rs. 2.00 per equity share

This prospectus is published in connection with the admission to listing and trading on Euronext Amsterdam of 205,316,110 American Depositary Shares (ADSs), each representing two of our equity shares with a par value of 2.00 Indian rupees (Rs.) per equity share.

This prospectus is not published in connection with and does not constitute an offer of securities by or on behalf of us.

At the date of this prospectus, our equity shares are traded in India on The Bombay Stock Exchange Limited (BSE) under the code "500376" and The National Stock Exchange of India (NSE) under the symbol "SATYAMCOMP". In the United States, ADSs representing our equity shares are traded on the New York Stock Exchange (NYSE) under the symbol "SAY".

Trading of our ADSs on Euronext Amsterdam under the symbol "SAYE" is expected to commence on or about 23 January 2008 (the "**First Amsterdam Trading Date**").

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves of and observe any restrictions.

This document constitutes a prospectus for the purposes of Article 3 of the Directive 2003/71/EC (the "**Prospectus Directive**") and has been approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "**AFM**") on the basis of Article 5:9, paragraph 2 of the Financial Markets Supervision Act (*Wet op het financieel toezicht*, the "**Financial Markets Supervision Act**"), implementing Article 20, paragraph 1 of the Prospectus Directive.

This prospectus contains our annual reports on Form 20-F for the fiscal years ended 31 March 2007 and 31 March 2006, our report on Form 6-K containing financial information for the fiscal year ended 31 March 2005 and our reports on Form 6-K containing financial information for the quarters ended 30 September and 30 June 2007, as well as our report on Form 6-K dated 3 May 2007, which we have filed with the United States Securities and Exchange Commission.

Listing Agent

ING Bank N.V.

Date of this prospectus: 21 January 2008

TABLE OF CONTENTS

INFORMATION RELATING TO ADMISSION TO LISTING AND TRADING ON EURONEXT AMSTERDAM

Issuer	Satyam Computer Services Limited, a company with limited liability incorporated under the laws of the Republic of India, with its registered office in Secunderabad, India.
Listing and Trading	We have applied for admission to listing and trading on Euronext Amsterdam of up to 205,316,110 ADSs, representing 410,632,220 of our equity shares with a par value of Rs. 2.00 per equity share, divided in 65,214,315 outstanding ADSs, 8,824,739 ADSs potentially to be issued under existing employee stock option plans and 131,277,056 ADSs that may result from the exchange of equity shares into ADSs. At the date of this prospectus, our equity shares are traded in India on The Bombay Stock Exchange Limited (BSE) under the code "500376" and The National Stock Exchange of India (NSE) under the symbol "SATYAMCOMP". In the United States, ADSs representing our equity shares are traded on the New York Stock Exchange (NYSE) under the symbol "SAY".
ADSs	At the date of this prospectus, we had 65,214,315 ADSs outstanding (representing 130,428,630 equity shares). The ADSs are governed by the laws of the State of New York, without reference to the principles of choice of law thereof. The equity shares are governed by the laws of the Republic of India. The depositary of the ADSs is Citibank, N.A., which has its principal office at 111 Wall Street, New York, New York 10043, United States. The transfer of ADSs may be restricted as described in Sections 2.8 (Limitations on Execution and Delivery, Transfer, etc. of Receipts, Suspension of Delivery, Transfer, etc.) and 3.5 (Ownership Restrictions) of the Deposit Agreement dated 14 May 2001. For a more detailed description of the ADSs, see, the Deposit Agreement dated 14 May 2001.
Equity shares authorized	800,000,000 equity shares.
Equity shares outstanding	At the date of this prospectus, the number of our outstanding equity shares (including the underlying shares for ADSs) is 669,694,774. These equity shares are all fully paid up.
Par value equity shares	2.00 Indian rupees (Rs.) per equity share
First Amsterdam Trading Date	Trading in the ADSs on Euronext Amsterdam is expected to start on 23 January 2008.
Use of Proceeds	We will not receive any proceeds from the admission to listing and trading of our ADSs on Euronext Amsterdam.
Currency of Trading	Trading of the ADSs on Euronext Amsterdam will be in U.S. dollars.
Dividends	Holders of ADSs will be entitled to receive dividends payable in respect of the equity shares represented by such ADSs. Cash dividends in respect of the equity shares represented by the ADSs will be paid to the depositary in rupees and will generally be converted by the depositary into U.S. dollars and distributed, net of depositary fees and expenses, to the holders of such ADSs. For a description of the payments of cash dividends received by the depositary to the holders of ADSs, see, Section 4.1 (Cash Distributions) of the Deposit Agreement dated 14 May

	2001. The right of ADS holders to receive payment towards dividend from the depositary does not lapse.
Settlement	Settlement of any transactions on Euronext Amsterdam is expected to occur through the book-entry facilities of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (Euroclear Nederland).
Listing and Trading Information ADSs	ISIN for ADSs: US8040981016 CUSIP NO for ADSs: 804098101 Fondscode: 617656 Euronext Amsterdam Symbol for ADSs: "SAYE" ISIN for equity shares: INE275A01028
Amsterdam Listing and Paying Agent	ING Bank N.V. Van Heenvlietlaan 220 1083 CN Amsterdam The Netherlands
Liquidity Provider	ING Bank N.V. will act as liquidity provider during the first three months after listing in accordance with the applicable rules of Euronext Amsterdam.
Disclosure of Holdings	Each person whose interests in our equity shares (including ADSs) or voting rights at the time of admission to listing and trading of our shares on Euronext Amsterdam directly or indirectly exceed 5% must without delay notify the Dutch Authority for the Financial Markets by means of a standard form. After the First Amsterdam Trading Date, investors who directly or indirectly acquire or dispose of an interest in our equity shares (including ADSs) or voting rights must without delay notify the AFM by means of a standard form when they know or should reasonably know that their interests meet, exceed or fall below certain statutory thresholds. The Financial Markets Supervision Act contains detailed rules on the disclosure of holdings that an investor should take into account. The relevant thresholds are: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. The AFM publishes notifications that it receives in its on-line register. In order to make sure that investors can accurately calculate their interest, we are required to report to the AFM certain changes in our issued capital and votes. The AFM publishes the reported changes on its website. Any investor whose direct or indirect interest in our equity shares (including ADSs) or voting rights meets, exceeds or falls below the thresholds referred to above as a result of a change in our share capital or voting rights must notify the AFM no later than the fourth trading day after the AFM has published such change on its website.
Indian Taxation of Distributions	There is no Indian withholding tax on dividends paid to shareholders. For a more detailed description of the Indian taxation of distributions, see "Indian Taxation", under "Taxation of Distributions" in our annual report on Form 20-F for the fiscal year ended 31 March 2007, p. 84.
Dutch Taxation	For the purpose of this paragraph "**Dutch Taxes**" shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities. Withholding Tax. Any payments made under the ADSs will not be subject to withholding or deduction for, or on account of, any Dutch Taxes.

Other Taxes and Duties. No Dutch Taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a holder of ADSs by reason only of the purchase, ownership and disposal of the ADSs.

IMPORTANT INFORMATION

No person is or has been authorized to give any information or to make any representation in connection with the listing and trading, other than as contained in this prospectus, and, if given or made, such other information or representation must not be relied upon as having been authorized. The delivery of this prospectus at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Issuer's affairs since the date hereof or that the information set forth in this prospectus is correct as of any time subsequent to its date.

The Issuer accepts responsibility for the information contained in this prospectus. To the best of the Issuer's knowledge and belief, having taken reasonable care to ensure that such is the case, the information contained in this prospectus is in accordance with the facts and contains no omission likely to affect its import. Potential investors should not assume that the information in this prospectus is accurate as of any other date than the date of this prospectus.

Except for the change in the financial position of the Issuer on account of operations during the quarter ended 31 December 2007, as described in more detail in our press release of 21 January 2008, no significant change in the financial or trading position of the Issuer has occurred since 30 September 2007.

As of the date of this prospectus, the Issuer is not and in the previous twelve months has not been a party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have or have had in the recent past significant effects on the Issuer and/or the group's financial position or profitability.

ANNUAL REPORT ON FORM 20-F FOR THE FISCAL YEAR ENDED 31 MARCH 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report __________

Commission file number 001-15190

Satyam Computer Services Limited
(Exact Name of Registrant as Specified in Its Charter)

N/A	**Republic of India**
(Translation of Registrant's Name Into English)	(Jurisdiction of Incorporation or Organization)

Satyam Technology Center
Bahadurpallay Village
Qutbullapur Mandal, R.R. District — 500855
Hyderabad, Andhra Pradesh
India
(91) 40 3063 3535
(Address and Telephone Number of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each represented by two equity shares, par value Rs. 2.0 per share	The New York Stock Exchange

(Title of Class)

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act
None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

667,196,009 equity shares, including 130,209,472 underlying equity shares for 65,104,736 ADSs, were issued and outstanding as of March 31, 2007.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☑

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☑

If this report is an annual report, indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

TABLE OF CONTENTS
SATYAM COMPUTER SERVICES LIMITED

CURRENCY OF PRESENTATION AND CERTAIN DEFINED TERMS

Unless otherwise stated in this Annual Report on Form 20-F, or "Annual Report," or unless the context otherwise requires, references in this Annual Report to "we," "our," "us," "Satyam," "Satyam Computer Services" and "our company" are to Satyam Computer Services Limited and its consolidated subsidiaries and other consolidated entities.

In this Annual Report, references to "US" or the "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. References to "$," "Dollars" or "U.S. dollars" are to the legal currency of the United States, and references to "Rs.," "rupees" or "Indian rupees" are to the legal currency of India. References to a particular "fiscal" year are to our fiscal year ended March 31 of such year.

For your convenience, this Annual Report contains translations of some Indian rupee amounts into U.S. dollars which should not be construed as a representation that those Indian rupee or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Indian rupees, as the case may be, at any particular rate, the rate stated below, or at all.

Except as otherwise stated in this Annual Report, all translations from Indian rupees to U.S. dollars contained in this Annual Report have been based on the noon buying rate in the City of New York on March 30, 2007 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on March 30, 2007 was Rs. 43.10 per $1.00.

Information contained in our websites, including our corporate website, www.satyam.com, is not part of this Annual Report.

FORWARD-LOOKING STATEMENTS MAY PROVE INACCURATE

We have included statements in this Annual Report which contain words or phrases such as "may," "will, " "will likely result," "believe," "expect," "will continue," "anticipate," "estimate," "intend," "plan," "contemplate," "seek to," "future," "objective," "goal," "project," "should" and similar expressions or variations of such expressions, that are "forward-looking statements." Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy and our growth and expansion.

In addition to historical information, this Annual Report contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Item 3. Key Information—Risk Factors." "Item 5. Operating and Financial Review and Prospects" and elsewhere in this Annual Report. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this Annual Report. In addition, you should carefully review the other information in this Annual Report and in our periodic reports and other documents filed with the United States Securities and Exchange Commission, or SEC, from time to time. Our filings with the SEC are available on its website, www.sec.gov.

In addition, other factors that could cause results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to, general economic and political conditions in India, Southeast Asia, and other countries which have an impact on our business activities, changes in Indian and foreign laws, regulations and taxes, changes in competition and other factors beyond our control, including the factors described in this "Risk Factors" section.

We are not required to update any of the forward-looking statements after the date of this Annual Report to conform such statements to actual results or to reflect events or circumstances that occur after the date the statement is made or to account for unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Financial Data

You should read the following selected consolidated historical financial data in conjunction with our financial statements and the related notes and "Item 5. Operating and Financial Review and Prospects" included elsewhere in this Annual Report. The statement of operations data for the five years ended March 31, 2007 and the balance sheet data as of March 31,2007, 2006, 2005, 2004, and 2003 are derived from our consolidated audited financial statements including the notes, which have been prepared and presented in accordance with U.S. GAAP. As of December 9, 2002, we ceased to hold a controlling interest in Sify Limited, or Sify, and subsequently changed the method of accounting for our interest in Sify from the consolidated accounting method to the equity method. On May 12, 2005, we acquired a 75% interest in Citisoft Plc and on October 1, 2005, we acquired 100% of the shares of Knowledge Dynamics Pte Ltd. On November 9, 2005, we sold our entire 31.6% stake in Sify as a result of which Sify ceased to be our associate company. Further during June 2006 we acquired the balance 25% interest in Citisoft Plc. As a result of the above, financial data as of March 31, 2007 and for the year ended March 31, 2007 are not comparable to financial data as of and for the years ended March 31, 2006, 2005, 2004 and 2003.

	Year Ended March 31,				
	2007	2006	2005	2004	2003
	(dollars in millions, except per share and per ADS data, or as stated otherwise)				
Statement of operations data					
Revenues:					
IT services	$1,432.5	$1,082.7	$ 786.7	$ 565.1	$ 459.2
BPO	28.9	13.6	6.9	1.3	—
Total revenues	$1,461.4	$1,096.3	$ 793.6	$ 566.4	$ 459.2
Cost of revenues(1)	(937.6)	(689.0)	(506.8)	(343.6)	(275.2)
Gross profit	523.8	407.3	286.8	222.8	184.0
Operating expenses:					
Selling, general and administrative expenses (2)	(232.2)	(187.6)	(124.3)	(101.7)	(116.9)
Amortization of goodwill	—	—	—	—	—
Impairment of goodwill	—	—	—	—	—
Impairment of other non-marketable investments	—	—	—	—	(3.3)
Reversal of put option charge	—	—	—	—	19.8
Total operating expenses	(232.2)	(187.6)	(124.3)	(101.7)	(100.4)
Operating income/(loss)	291.6	219.7	162.5	121.1	(83.6)
Interest income	37.3	26.3	22.3	20.3	7.2
Interest expense	(3.6)	(1.3)	(0.4)	(0.5)	(0.8)
Gain on sale of shares in associated companies/ other investments	—	43.6	—	2.7	0.8

	Year Ended March 31,				
	2007	2006	2005	2004	2003
	(dollars in millions, except per share and per ADS data, or as stated otherwise)				
Gain/(loss) on foreign exchange transactions	(3.3)	0.3	(4.6)	(8.9)	(4.8)
Other income/(expenses), net	6.2	(0.8)	0.4	2.3	(1.7)
Income/(loss) before income taxes, minority interest and equity in earnings/ (loss) of associated companies	328.2	287.8	180.2	137.0	84.3
Income taxes	(30.6)	(37.7)	(25.3)	(22.5)	(9.8)
Minority interest	—	0.1	—	—	11.1
Income before equity in earnings/(losses) of associated companies	297.6	250.2	154.9	114.5	85.6
Equity in earnings/ (losses) of associated companies, net of taxes	0.8	(0.8)	(1.1)	(2.6)	(3.3)
Net income (loss)	$ 298.4	$ 249.4	$ 153.8	$ 111.9	$ 82.3

	Year Ended March 31,				
	2007	2006	2005	2004	2003
	(dollars in millions, except per share and per ADS data, or as stated otherwise)				
Earnings (loss) per share:					
Basic	$ 0.46	$ 0.39	$ 0.24	$ 0.18	$ 0.26
Diluted	0.45	0.38	0.24	0.18	0.26
Earnings (loss) per ADS:					
Basic	0.92	0.78	0.48	0.36	0.52
Diluted	0.90	0.75	0.48	0.36	0.52
Weighted average equity shares used in computing earnings per shares (in millions):					
Basic	652.5	641.2	632.4	626.4	623.6
Diluted	666.0	662.8	647.2	634.2	637.4
Weighted average equity shares used in computing earnings per ADS:					
Basic	326.3	320.6	316.2	313.2	311.8
Diluted	333.0	331.4	323.6	317.1	318.7
Cash dividend per equity share	0.13	0.11	0.12	0.08	0.03
Cash dividend per ADS	0.26	0.22	0.24	0.17	0.06

(1) Inclusive of stock-based compensation expense of $12.8 million, $Nil, $0.8 million, $0.9 million and $1.6 million in fiscal 2007, 2006, 2005, 2004 and 2003 respectively.

(2) Inclusive of stock-based compensation expenses of $2.9 million, $0.8 million, $1.1 million, $0.8 million and $2.9 million during the years ended March 31, 2007, 2006, 2005, 2004 and 2003 respectively.

	As at March 31,				
	2007	2006	2005	2004	2003
	(dollars in millions)				
Balance sheet data					
Cash and cash equivalents	$ 152.2	$ 292.8	$129.8	$ 86.7	$ 62.2
Investments in bank deposits	767.6	403.7	411.6	332.1	259.4
Total assets	1,624.1	1,181.2	884.1	713.8	561.7
Total long-term debt, excluding current portion	22.2	17.9	1.2	1.8	1.7
Preferred stock of subsidiary (1)	—	20.0	20.0	10.0	—
Total shareholders' equity	1,371.0	994.4	767.9	633.9	487.7
Capital stock(2)	587.2	481.5	449.5	431.7	421.6

(1) In fiscal 2007, 50% of preferred stock of subsidiary has become mandatorily redeemable at the target date of May 21, 2007 and the balance 50% got converted into equity shares of Nipuna based on the terms of the existing subscription agreement.

(2) Includes common stock and additional paid-in capital but excludes shares held by Satyam Associate Trust or SC Trust

Risk Factors

The following factors, together with the other information contained in this Annual Report and other reports and documents submitted to, or filed with, the SEC, could affect our results. If any of the following risks actually occur, our company could be seriously harmed, and the market price of our ADSs could decline.

Risks Related to Our Overall Operations

Our revenues and profitability are difficult to predict and can vary significantly from period to period which could cause our share price to decline significantly.

Our revenues and profitability have grown rapidly in recent years and may fluctuate significantly in the future from period to period. Therefore, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as an indication of our future performance. The quarterly fluctuation of revenues is primarily because we derive our revenues from fees for services generated on a project-by-project basis. Our projects vary in size, scope and duration. For example, we have some projects that employ several people for only a few weeks and we have other projects that employ over 100 people for six months or more. A customer that accounts for a significant portion of our revenue in a particular period may not account for a similar portion of our revenue in future periods. In addition, customers may cancel contracts or defer projects at any time for a number of different reasons. Furthermore, increasing wage pressures, employee attrition, pressure on billing rates, the time and expense needed to train and productively utilize new employees and changes in the proportion of services rendered offshore can affect our profitability in any period. There are also a number of factors, other than our performance, that are not within our control that could cause fluctuations in our operating results from period to period. These include (i) the duration of tax holidays or tax exemptions and the availability of other Government of India or GoI incentives; (ii) currency fluctuations, particularly when the rupee appreciates in value against the U.S. dollar, since the majority of our revenues are in U.S. dollars and a significant part of our costs are in rupees; and (iii) other general economic and political factors. As a result, our revenues and our operating results in a particular period are difficult to predict, may decline in comparison to corresponding prior periods regardless of the strength of our business. If this were to occur, the share price of our equity shares and our ADSs would likely decline significantly.

Any inability to manage our rapid growth could disrupt our business and reduce our profitability.

We have experienced significant growth in recent periods. In fiscal 2007, our total revenues increased by 33.3% as compared to fiscal 2006, and in fiscal 2006, our total revenues increased by 38.1% as compared to fiscal 2005. As of March 31, 2007, we had 39,018 employees, whom we refer to as associates, worldwide as compared to 28,624 associates as of March 31, 2006. In addition, we are continuing our geographical expansion. We have offshore facilities in India and overseas facilities located in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States. In addition, we have sales and marketing offices located in Canada, Germany, Italy, the Netherlands, Spain, Sweden, United Kingdom and United States and sales and marketing offices located in the rest of the world. We have incurred $81.5 million of capital expenditures in fiscal 2007 and in fiscal 2008 we expect to incur capital expenditure of approximately $100.0 million to finance the construction of new facilities and the expansion of our existing facilities in our offshore centers and to establish offsite centers outside of India.

We expect our growth to place significant demands on our management and other resources and to require us to continue to develop and improve our operational, financial and other internal controls, both in India and elsewhere. In particular, continued growth increases the challenges involved in:

- recruiting and retaining sufficiently skilled technical, marketing and management personnel
- providing adequate training and supervision to maintain our high quality standards;
- preserving our culture and values and our entrepreneurial environment; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems

Our inability to manage our growth effectively could disrupt our business and reduce our profitability.

The current economic environment, pricing pressure and rising wages in India have negatively impacted our revenues and operating results.

Spending on information technology, or IT, in most parts of the world has been increasing after a two-year decreasing trend due to a challenging global economic environment. We do experience pricing pressures from our customers, which can negatively impact our operating results. If economic growth slows, our utilization and billing rates for our associates could be adversely affected which may result in lower gross and operating profits.

Wage costs in India, including in the IT services industry, have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive advantages. However, large companies are establishing offshore operations in India, resulting in wage pressures for Indian companies, which may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased cost of IT professionals, particularly project managers and other mid-level professionals. We may need to increase the levels of our employee compensation more rapidly than in the past to remain competitive with other employers, or seek to recruit in other low labor cost jurisdictions to keep our wage costs low. Compensation increases may result in a material adverse effect on our financial performance.

Our business will suffer if we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and the industries on which we focus.

The IT services market is characterized by rapid technological change, evolving industry standards, changing customer preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product and service offerings to meet customer needs and complement our offerings of end-to-end IT services. For example, we have invested significant resources in research and development efforts, such as in our enterprise business solution laboratory and grid computing laboratory, in order to continually develop capabilities to provide new services to our customers. Should we fail to develop such capabilities on a timely basis to keep pace with the rapidly changing IT market or if the services or technologies that we develop are not successful in the marketplace, our business and profitability will suffer and it is unlikely that we would be able to recover our research and development costs. Moreover, products, services or technologies that are developed by our competitors may render our services non-competitive or obsolete.

Our revenues are highly dependent on customers primarily located in the United States and customers concentrated in certain industries, and economic slowdowns or factors that affect the economic health of the United States and our customers' industries may affect our business.

In fiscal 2007, fiscal 2006 and fiscal 2005, approximately 63.2%, 64.9%, and 68.3% respectively, of our total revenues were derived from the United States. For the same periods, we earned 27.0%, 28.6%, and 29.2% of our IT revenues from the manufacturing industry and 17.5%, 18.5%, and 17.8% of our IT revenues from the banking and finance industry respectively. If the growth in the United States does not continue, our customers may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability. Further, any significant decrease in the growth of the manufacturing or banking and finance industries, or significant consolidation in these industries, or other industry segments on which we focus, may reduce the demand for our services and negatively affect our revenues and profitability.

Recently, some countries and organizations have expressed concerns about a perceived association between offshore outsourcing and the loss of jobs. In the United States, in particular, there has been increasing political and media attention on these issues following the growth of offshore outsourcing. Any changes in existing laws or the enactment of new legislation restricting offshore outsourcing may adversely impact our ability to do business in the United States, which is the largest market for our services. In the recent past, some U.S. states have proposed legislation restricting government agencies from outsourcing their back office processes and IT solutions work to companies outside the United States or have enacted laws that limit or to discourage such outsourcing. Such laws restrict our ability to do business with U.S. government-related entities. It is also possible that U.S. private sector companies working with these governmental entities may be restricted from outsourcing projects related to government contracts or may face disincentives if they outsource certain projects. Any of these events could adversely affect our revenues and profitability. Similarly, legislation came into effect in the United Kingdom in April 2006 requiring offshore outsourcing providers in certain circumstances to compensate U.K. employees for loss of jobs arising from the offshore migration of business processes.

We face intense competition in the IT services and BPO markets which could prevent us from attracting and retaining customers and could reduce our revenues.

The markets for IT services and business process outsourcing, or BPO, are rapidly evolving and highly competitive, and we expect that competition will continue to intensify. We face competition in India and elsewhere from a number of companies, including:

- consulting firms such as Accenture, Bearing Point, Capgemini and Deloitte Consulting;
- divisions of large multinational technology firms such as Hewlett-Packard and IBM;
- IT outsourcing firms such as Computer Sciences Corporation, Electronic Data Systems and IBM Global Services; and
- offshore IT services firms such as Infosys Technologies Limited, Tata Consultancy Services Limited and Wipro Limited

We also compete with software firms such as Oracle and SAP, service groups of computer equipment companies, in-house IT departments of large corporations, programming companies and temporary staffing firms. Nipuna Services Limited or Nipuna, our majority-owned subsidiary, through which we provide BPO services, faces competition from firms like Infosys BPO Limited formerly known as Progeon Limited and Wipro BPO, formerly known as Wipro Spectramind.

In addition, we have agreed not to compete with Nipuna as part of the investor rights and securities subscription agreements which we have entered into with Nipuna's two other investors. Pursuant to these agreements, we and our affiliates are restricted from engaging in activities that are or could directly or indirectly be competitive with the business of Nipuna. Such activities include among others providing BPO services, soliciting existing or prospective customers of Nipuna to obtain the services offered by Nipuna from other service providers and investing in companies engaged in the same or similar business as Nipuna. These non-compete restrictions apply until the investors redeem all of their preference shares in Nipuna or their equity interest in Nipuna upto 5%. As a consequence, we currently offer and plan to continue to offer BPO services only through Nipuna. We cannot assure you that these non-compete restrictions will not adversely affect our ability to attract and retain customers in this competitive market or that they will not adversely affect our revenues.

A significant part of our competitive advantage has historically been the cost advantage relative to service providers in the United States and Europe. Since wage costs in this industry in India are presently increasing at a faster rate than those in the United States and Europe, our ability to compete effectively will become increasingly dependent on our reputation, the quality of our services and our expertise in specific markets. Many of our competitors have significantly greater financial, technical and marketing resources than we have and generate greater revenues than we do, and we cannot assure you that we will be able to compete successfully with such competitors and will not lose existing customers to such competitors. We believe that our ability to compete also depends in part on a number of factors outside our control, including the ability of our competitors to attract, train, motivate and retain highly skilled technical associates, the price at which our competitors offer comparable services and the extent of our competitors' responsiveness to customer needs.

Our revenues are highly dependent upon a small number of customers.

We derive a significant portion of our revenues from a limited number of corporate customers. In fiscal 2007, fiscal 2006 and fiscal 2005, our largest customer together with its affiliates, accounted for 6.3% 8.8%, and 10.8% respectively, of our total revenues. In fiscal 2007, fiscal 2006 and fiscal 2005, our second largest customer accounted for 4.4%, 5.1% and 7.4% respectively, of our total revenues. In fiscal 2007, fiscal 2006 and fiscal 2005, our five largest customers accounted for 21.0%, 24.2% and 29.2% respectively, of our total revenues. The volume of work performed for specific customers is likely to vary from year to year, particularly since we are usually not the exclusive outside service provider for our customers.

There are a number of factors other than our performance that could cause the loss of a customer and that may not be predictable. In certain cases, we have significantly reduced the services provided to a customer when the customer either changed its outsourcing strategy by moving more work in-house or replaced its existing software with packaged software supported by the licensor. Some customers could also potentially develop competing offshore IT centers in India and as a result, work that may otherwise be outsourced to us may instead be performed in-house. Reduced technology spending in response to a challenging economic or competitive environment may also result in lower revenues or loss of a customer. If we lose one of our major customers or one of our major customers significantly reduces its volume of business with us, our revenues and profitability could be reduced.

Our fixed-price contracts expose us to additional risks, many of which are beyond our control, which may reduce the profitability of these contracts.

As a core element of our business strategy, we offer a portion of our services on a fixed-price basis, along-with a time-and-materials basis. In fiscal 2007, fiscal 2006 and fiscal 2005, we derived 39.0%, 35.1%, and 34.2% respectively, of our IT services revenues from fixed-price contracts. Although we use our software engineering processes and past project experience to reduce the risks associated with estimating, planning and performing fixed-price projects, we bear the risk of cost overruns, completion delays and wage inflation in connection with these projects. We may also have to pay damages to our customers for completion delays. Many of these project risks may be beyond our control. Our failure to accurately estimate the resources and time required for a project, future wage inflation and currency exchange rates, or our failure to complete our contractual obligations within the time frame committed could reduce the profitability of our fixed-price contracts.

Our customers may terminate projects before completion or choose not to renew contracts, many of which are terminable at will, which could adversely affect our profitability.

Our contracts with customers do not commit our customers to provide us with a specific volume of business and can typically be terminated by our customers with or without cause, with little or no advance notice and without penalty. Any failure to meet a customer's expectations could result in a cancellation or non-renewal of a contract. Additionally, our contracts with customers are typically limited to a specific project and not any future work. Our multi-year contracts will be due for renewal from time to time, and we cannot assure you that our customers will choose to renew such contracts for a similar or longer duration, on terms as favorable as their current terms or at all. Other than our performance, there are also a number of factors not within our control that could cause the loss of a customer. Our customers may demand price reductions, change their outsourcing strategy by moving more work in-house or to one of our competitors, or replace their existing software with packaged software supported by licensors, any of which could reduce our revenue and profitability.

A number of our customer contracts are conditioned upon our performance, which, if unsatisfactory, could result in less revenue than previously anticipated.

We have not yet offered any performance-based or variable pricing terms to our customers, however we continue to consider the viability of introducing performance-based or variable-pricing contracts. Should we use value-based pricing terms, it will become more difficult for us to predict the revenues we will receive from our customer contracts, as such contracts would likely contain a higher number of contingent terms for payment of our fees by our customers. Our failure to meet contract goals or a customer's expectations in such performance-based contracts may result in lower revenues, and a less profitable or an unprofitable engagement.

Some of our multi-year customer contracts contain certain provisions which, if triggered, could result in lower future revenues and profitability under the contract.

Some of our multi-year customer contracts contain benchmarking provisions, most favored customer clause and/or provisions restricting personnel from working on projects of our customers' competitors. Benchmarking provisions allow a customer in certain circumstances to request a benchmark study prepared by an agreed upon third-party comparing our pricing, performance and efficiency gains for delivered contract services with that of an agreed list of other service providers for comparable services. Based on the results of the benchmarking study and depending on the reasons for any unfavorable variance, we may be required to make improvements in the services we provide or to reduce the pricing for services to be performed under the balance term of the contract, which may result in lower future revenues and profitability under the contract.

Most favored customer clauses generally provide that if, during the term of the contract, we were to offer similar services to any other customers on terms and conditions more favorable than those provided in such contract, we would be obligated to offer equally favorable terms and conditions to the customer. As pricing pressures increase, some customers may demand price reductions or other pricing incentives. Any pricing reduction agreed to in a subsequent contract may require us to offer equally favorable terms to other customers with whom we have a most favored contract under the remaining term of contracts with those customers which may result in lower future revenues and profitability.

The contracts containing benchmarking provisions/most favored customer/and other similar clauses impact new projects or future services on existing projects and do not impact the terms of previously delivered projects/services. The most favored customer clause provides that the Company will offer the best pricing to a new customer if they are identified as a most favored customer. If an existing customer is granted a most favored customer status, the revised terms would apply to the services rendered to such customer after the grant of the most favored customer status. This clause is triggered if a similar contract is negotiated at a lower rate with a new / existing customer having similar volume, skill set, services offered, geography and domain. The reduction in the rates for a most favored customer would be applicable only from the time the Company offers a lower rate to any other customer who enters into a contract similar in nature to the most favored customer.

Historically no delivery / price adjustments have been required to be made on account of any of these clauses and we do not anticipate that these clauses will have a material future effect on our financial condition and results of operations.

A number of our customer contracts provide that, during the term of the contract and for a certain period thereafter ranging from six to twelve months, we may not provide similar services to any of their competitors using the same personnel. This restriction may hamper our ability to compete for and provide services to customers in the same industry, which may result in lower future revenues and profitability.

We may be unable to attract skilled professionals in the competitive labor market.

Our ability to execute projects and to obtain new customers depends largely on our ability to attract, train, motivate and retain highly skilled technical associates, particularly project managers, project leaders and other senior technical personnel. We believe that there is significant competition for technical associates who possess the skills needed to perform the services that we offer. An inability to hire and retain additional qualified personnel will impair our ability to bid for or obtain new projects and to continue to expand our business. Also, we cannot assure you that we will be able to assimilate and manage new technical associates effectively. In fiscal 2007, fiscal 2006 and fiscal 2005, we experienced associate attrition in the IT services segment at a rate of 15.7%, 19.2%, and 16.5% respectively. Any increase in our attrition rates, particularly the attrition rate of experienced software engineers, project managers and project leaders, could harm our growth strategy. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of replacement technical associates with the requisite skills to replace those technical associates who leave. Further, we cannot assure you that we will be able to redeploy and retrain our technical associates to keep pace with continuing changes in evolving technologies and changing customer preferences. Should we be unable to successfully recruit, retain, redeploy or retrain our technical associates, we may become less attractive to potential customers and may fail to satisfy the demands of existing customers, which would result in a decrease in revenues and profitability.

We dedicate significant resources to develop international operations which may be more difficult to manage and operate.

In addition to our offshore IT centers in India, we have established IT centers in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States and plan to open additional international facilities. Because of our limited experience in managing and operating facilities outside of India, we are subject to additional risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws, restrictions on the import and export of certain technologies and multiple and possibly overlapping tax structures. In addition, we may face competition in other countries from companies that may have more experience with local conditions or with international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture.

We are investing substantial cash assets in new facilities and physical infrastructure and our profitability could be reduced if our business does not grow proportionately.

As of March 31, 2007, we had contractual commitments of approximately $38.2 million for capital expenditures, and we estimate spending a further $100.0 million in fiscal 2008. We may encounter cost overruns or project delays in connection with new facilities. These expansions will significantly increase our fixed costs. If we are unable to grow our business and revenues proportionately, our profitability will be reduced.

Restrictions on immigration may affect our ability to compete for and provide services to customers in the United States and in other countries, which could hamper our growth and cause our revenues to decline.

The vast majority of our associates are Indian nationals. Most of our projects require a portion of the work to be completed at the customer’s location which is typically outside India. The ability of our associates to work in the United States, Europe and in other countries outside India depends on the ability to obtain the necessary visas and work permits. As of March 31, 2007, the majority of our associates located outside India was in the United States and held either H-1B visas or L-1 visas, allowing the employee to remain in the United States during the term of the work permit only temporarily. Although there is no limit to new L-1 visas, there is a limit to the aggregate number of new H-1B visas that the U.S. Citizenship and Immigration Services, or CIS, may approve in any government fiscal year. The 2005 Appropriations Bill further precludes foreign companies from obtaining L-1 visas for employees with specialized knowledge: (1) if such employees will be stationed primarily at the worksite of another company in the U.S. and the employee will not be controlled and supervised by his employer, or (2) if the placement is essentially an arrangement to provide labor for hire rather than in connection with the employee’s specialized knowledge. The CIS has also issued new guidelines to more closely verify the qualifying criteria to restrict the liberal usage of L1visas. Immigration laws in the United States may also require us to meet certain levels of compensation and to comply with other legal requirements including labor certifications as a condition to obtaining or maintaining work visas for our associates working on H1B in the United States. The CIS announced on April 3, 2007 that it had received sufficient applications to fill up all 65,000 visas that were available for the year.

Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and labor and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our employees. Our reliance on work visas for a significant number of associates makes us particularly vulnerable to such changes and variations as it affects our ability to staff projects with associates who are not citizens of the country where the work is to be performed. As a result, we may not be able to obtain a sufficient number of visas for our associates or may encounter delays or additional costs in obtaining or maintaining the condition of such visas.

We may engage in acquisitions, strategic investments, strategic partnerships or alliances or other ventures that may or may not be successful.

We may acquire or make strategic investments in complementary businesses, technologies, services or products, or enter into strategic partnerships or alliances with third parties in order to enhance our business. It is possible that we may not be able to identify suitable acquisitions targets and candidates for strategic investments or partnerships, or if we do identify such targets or candidates, we may not be able to complete those transactions on terms commercially acceptable to us, or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may affect our competitiveness and our growth prospects. As of the date of this document, we have no agreements or understanding to enter into any material acquisition, investment, partnership, joint venture or alliance.

If we acquire a company, we could have difficulty in assimilating that company’s personnel, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us. In some cases, we could have difficulty in integrating the acquired products, services or technologies into our operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

We may make strategic investments in early-stage technology start-up companies in order to gain experience in or exploit niche technologies. However, our investments may not be successful. The lack of profitability of any of our investments could have a material adverse effect on our operating results.

System failure could disrupt our business.

To deliver our services to our customers, we must maintain a high speed network of satellite, fiber optic and land lines and an active voice and data communications 24 hours a day between our main offices in Hyderabad, our other IT centers in India and globally and the offices of our customers worldwide. Any systems failure or a significant lapse in our ability to transmit voice and data through satellite and telephone communications could result in lost customers and curtailed operations which would reduce our revenue and profitability.

We may be liable to our customers for damages caused by disclosure of confidential information or system failure.

We are often required to collect and store sensitive or confidential customer and consumer data. Many of our customer agreements do not limit our potential liability for breaches of confidentiality. If any person, including any of our employees, penetrates our network security or misappropriates sensitive data, we could be subject to significant liability from our customers or from our customers’ clients for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential customer and consumer data, whether through breach of our computer systems, system failure or otherwise, could damage our reputation and cause us to lose customers. Many of our contracts involve projects that are critical to the operations of our customers’ businesses and provide benefits which may be difficult to quantify. Any failure in a customer’s system or breaches of security could result in a claim for substantial damages against us, regardless of our alleged responsibility for such failure. Generally, we attempt to limit our contractual liability for consequential damages in rendering our services; however these limitations on liability may be unenforceable in some cases, or may be insufficient to protect us from liability for damages. In respect of some of our contracts, we sub-contract a part of the work to certain sub-contractors. We are liable to our customers for any breach or non-performance by our sub-contractors under the sub-contracts. We maintain general liability insurance coverage, including coverage for errors and omissions; however this coverage may not continue to be available on reasonable terms and may be unavailable in sufficient amounts to cover one or more large claims. Further, an insurer might disclaim coverage as to any future claim. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or results in changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our operating results and profitability.

Our success depends in large part upon our management team and key personnel and our ability to attract and retain them.

We are highly dependent on the senior members of our management team. Our future performance will be affected by any disruptions in the continued service of these persons. We do not maintain key man life insurance for any of the senior members of our management team or other key personnel, except for our chief executive officer. Competition for senior management in our industry is intense, and we may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. The loss of any member of our senior management team or other key personnel may have a material adverse effect on our business, results of operations and financial condition.

Our insiders are significant shareholders, are able to influence the election of our board and may have interests which conflict with those of our shareholders or holders of our ADSs.

Our executive officers and directors, together with members of their immediate families, beneficially owned, in the aggregate approximately 0.39% of our outstanding equity shares as of March 31, 2007. In addition, two of our executive directors control SRSR Holdings Private Limited, which holds approximately 8.38% of our outstanding equity shares as of March 31, 2007. As a result, acting together, this group has the ability to exercise influence over most matters requiring our shareholders' approval, including the election and removal of directors and significant corporate transactions. These insider shareholders may exercise influence even if they are opposed by our other shareholders. Without the consent of these insider shareholders, we could be delayed or prevented from entering into transactions (including the acquisition of our company by third parties) that may be viewed as beneficial to us and our shareholders.

Our financial results are impacted by the financial results of entities that we do not control.

As of March 31, 2007, we have a significant non-controlling interests in Satyam Venture Engineering Services Private Limited, or Satyam Venture, and CA Satyam ASP Private Limited, or CA Satyam, that are accounted for under U.S. GAAP using the equity method of accounting. Under this method, we are obligated to report as "Equity in earnings (losses) of associated companies, net of taxes" a pro-rata portion of the financial results of any such company in our statement of operations even though we do not control such company but have the ability to exercise certain influence over their operating and financial policies. Thus, our reported results of operations can be higher or lower depending on the results of Satyam Venture and CA Satyam or other companies in which we may make similar investments even though we may have only a limited ability to influence their activities. We may also be required to record additional impairment charges in their carrying value if we deem the investment to be impaired due to adverse events, many of which are outside of our control, on their business, results of operations and financial condition in future periods. Currently, we make estimates in the preparation of financial statements including assessing goodwill for impairment. Changes in such estimates resulting from events, many of which are outside of our control, may result in the impairment of goodwill which would negatively impact our net income. Such impact on net income may result in a reduction of the market value of our shares.

The value of our interest in our subsidiaries may decline.

Nipuna, our subsidiary, has experienced losses during each year since its inception and it is likely that it will continue to experience such losses in the future. Our recently acquired subsidiaries, Citisoft and Knowledge Dynamics have also experienced losses since our acquisition and they may also incur losses that might have an adverse effect on our operating results in future periods.

Stock-based compensation expenses may significantly reduce our net income.

Although we have suspended, except in certain cases, new grants of stock options under ASOP – B and ASOP – ADS as of April 1, 2005, our reported net income has been and will continue to be affected by the grant of warrants or options under our various employee benefit plans. Under the terms of our existing plans, some of which have outstanding obligations to grant options in future, employees are typically granted warrants or options to purchase equity shares at a substantial discount to the current market value. Effective April 1, 2006, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards or SFAS No. 123 (revised 2004), "Share-Based Payment" or SFAS 123R. We adopted SFAS 123R using the modified prospective transition method, which required the application of the accounting standard as of April 1, 2006, the first day of our fiscal year 2007. Under this transition method, stock-based compensation expensed for the year ended March 31, 2007 includes

a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" or SFAS 123 and

b) Stock-based compensation expenses for all stock-based compensation awards granted after April 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective transition method, our consolidated financial statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. Depending on the grant date fair value and future grants are made, amortization of deferred stock-based compensation may contribute to reducing our operating income and net income. Our subsidiaries also have stock option schemes which may generate stock-based compensation expenses and which have and in the past reduced, and may in the future reduce our operating income and net income.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, the SEC, regulations, the New York Stock Exchange or NYSE, rules, the Securities and Exchange Board of India, or SEBI, rules, and Indian stock market listing regulations are creating uncertainty for companies like ours. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

In particular, our efforts to continue to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment requires the commitment of significant financial and managerial resources. We consistently assess the adequacy of our internal controls over financial reporting, remediate any control deficiencies that may be identified, and validate through testing that our controls are functioning as documented. While currently we do not have any material weaknesses there can be no assurance that future tests will not result in our independent auditors being unable to issue unqualified attestation reports on management's assessment on the operating effectiveness of our internal controls over financial reporting.

Additionally, under revised corporate governance standards adopted by the Bombay Stock Exchange Ltd, or BSE, and the National Stock Exchange of India Limited, or NSE, which we collectively refer to as the Indian Stock Exchanges, we have been required to comply with additional standards from December 31, 2005. These standards include a certification by our chief executive officer and chief financial officer that they have evaluated the effectiveness of our internal control systems and that they have disclosed to our auditors and our audit committee any deficiencies in the design or operation of our internal controls of which they may become aware, as well as any steps taken or proposed to resolve the deficiencies.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, the new laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws, regulations or standards of corporate governance, our business and reputation may be harmed.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic issuer, which may, among other things, limit the information available to holders of our securities.

As a foreign private issuer, we are subject to requirements under the Securities Act of 1933, as amended, or the Securities Act, and the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are different from the requirements applicable to domestic U.S. issuers. For example, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules there under with respect to their purchases and sales of our equity shares and/or ADSs. The periodic disclosure required of foreign private issuers is more limited than the periodic disclosure required of domestic U.S. issuers and therefore there may be less publicly available information about us than is regularly published by or about U.S. public companies in the United States.

Terrorist attacks or a war could adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the attacks of September 11, 2001 in the United States, and other acts of violence or war, such as the continuing conflict in Iraq, have the potential to have a direct impact on our customers. To the extent that such attacks affect or involve the United States, our business may be significantly impacted, as the majority of our revenues are derived from customers located in the United States. In addition, such attacks may make travel more difficult, may make it more difficult to obtain work visas for many of our associates who are required to work in the United States, and may effectively curtail our ability to deliver our services to our customers. Such obstacles to operate our business may increase our expenses and negatively affect the results of our operations. Many of our customers visit several IT services firms, including their offshore facilities, prior to reaching a decision on vendor selection. Terrorist threats, attacks or war could make travel to our facilities more difficult for our customers and may delay, postpone or cancel decisions to use our services.

Risks Related to Investments in Indian Companies

We are incorporated in India, and a substantial portion of our assets and our employees are located in India. Consequently, our financial performance and the market price of our ADSs will be affected by changes in exchange rates and controls, interest rates, GoI policies, including taxation policies, as well as political, social and economic developments affecting India.

The GoI has recently taken actions to curtail or eliminate tax benefits that we have historically benefited from.

The statutory corporate income tax rate in India is currently 30.0%. This tax rate is presently subject to a 10.0% surcharge. The amount of tax and surcharge payable is further subject to a 2.0% education cess, resulting in an effective tax rate of 33.66%. We benefit from tax incentives provided to software entities such as an exemption from payment of Indian corporate income taxes until the earlier of fiscal 2009 or 10 consecutive years of operations for software development facilities designated as "Software Technology Parks," or STP units. The benefits of this tax incentive have historically resulted in our effective tax rate being well below statutory rates. The exemption for our STP units was reduced from 100.0% to 90.0% for fiscal 2003. The exemption for two of our STP units in Hyderabad and one of our STP units in Bangalore and one each in Hyderabad, Chennai, Pune and Bhubaneswar expired at the end of fiscal 2005, fiscal 2006 and fiscal 2007 respectively and the exemption for the balance STP units will expire in fiscal 2008 and fiscal 2009. We also earn certain other foreign income and domestic income, which is taxable irrespective of the above tax exemption.

When our tax holidays expire or terminate, our tax expense will materially increase, reducing our profitability. We cannot assure you as to what action the present or future governments of India will take regarding tax incentives for the IT industry.

Table of Contents

Foreign investment restrictions under Indian law may adversely impact the value of our ADSs, including, for example, restrictions that limit your ability to reconvert equity shares into ADSs, which may cause our equity shares to trade at a discount or premium to the market price of our ADSs.

Our equity shares are listed and traded on the Indian Stock Exchanges, and they may trade on these stock exchanges at a discount or premium to the ADSs traded on the NYSE, in part because of restrictions on foreign ownership of the underlying shares.

Our ADSs are freely convertible into our equity shares under the deposit agreement governing their issuance, or the Deposit Agreement. The Reserve Bank of India, or RBI, prescribes fungibility regulations permitting, subject to compliance with certain terms and conditions, the recon version of equity shares to ADSs provided that such equity shares are purchased from an Indian Stock Exchange through stock brokers and the actual number of ADSs outstanding after such recon version is not greater than the original number of ADSs outstanding. If you elect to surrender your ADSs and receive equity shares, you will only be able to trade those equity shares on an Indian Stock Exchange and, under present law, it is unlikely you will be permitted to reconvert those equity shares to ADSs. Additionally, investors who exchange ADSs for the underlying equity shares and are not holders of record will be required to declare to us details of the holder of record, and the holder of record will be required to disclose the details of the beneficial owner. Any investor who fails to comply with this requirement may be liable for a fine of up to Rs.1,000 for each day such failure continues. Such restrictions on fungibility of the underlying equity shares to ADSs may cause our equity shares to trade at a discount or premium to the ADSs.

The sale of equity shares underlying the ADSs by a person not resident in India to a resident of India does not require the prior approval of the RBI, provided such sales are effected through the Indian Stock Exchanges. Any sale of such underlying equity shares by a person not resident in India to a resident of India outside of the Indian Stock Exchanges can, however, be completed without prior RBI approval, provided such equity shares are transferred based on a pricing formula established by the Indian foreign exchange laws which set a maximum price requirement for sale of such equity shares.

Regional conflicts or natural disasters in South Asia and elsewhere could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. In recent years there have been military confrontations between India and Pakistan that have occurred in the region of Kashmir and along the India-Pakistan border. There has also been a recent increase in the incidence of terrorist attacks in India, including bombings at Delhi and Mumbai. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a perception that investments in Indian companies involve higher degrees of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs, and on the market for our services. In addition, as an international company, our offshore and onsite operations may be impacted by natural disasters such as earthquakes, tsunamis, floods, disease and health epidemics. In December 2004, certain parts of India were severely affected by a tsunami triggered by an earthquake in the Indian Ocean, and in October 2005, certain parts of northern India, Pakistan and Afghanistan were severely devastated by a major earthquake. Though our operations were not affected by these disasters, we cannot guarantee that in the future our operations will not be affected by the effect such natural disasters may have on the economies of India and other countries in the region.

Political instability could seriously harm business and economic conditions in India generally and our business in particular.

During the past decade, the GoI has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The general elections in 2004 for the lower house of the Indian Parliament resulted in no party winning an absolute majority and a coalition government has been formed. We cannot assure you that these liberalization policies will continue in the future. Government corruption scandals and protests against privatization could slow down the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India’s economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and our business in particular.

Currency exchange rate fluctuations may affect the value of our ADSs and our financial condition.

Our functional currency is the Indian rupee, although we transact a major portion of our business in U.S. dollars and several other currencies and accordingly face foreign currency exposure through our sales in the United States and elsewhere and purchases from overseas suppliers in U.S. dollars and other currencies. Historically, we have held a substantial majority of our cash funds in rupees. Accordingly, changes in exchange rates may have a material adverse effect on our revenues, other income, cost of services sold, gross margin and net income, which may in turn have a negative impact on our business, operating results and financial condition.

The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. In fiscal 2007, fiscal 2006, and fiscal 2005, our U.S. dollar-denominated revenues represented 74.7%, 77.6%, and 81.8% respectively, of our total revenues. We expect that a majority of our revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, our results of operations will be adversely affected to the extent that the rupee appreciates against the U.S. dollar. Depreciation of the rupee will result in foreign currency translation losses in respect of foreign currency borrowings, if any.

We have sought to reduce the effect of exchange rate fluctuations on our operating results by entering into foreign exchange forward and options contracts to cover a portion of outstanding accounts receivable of Satyam Computer Services. As of March 31, 2007 and 2006, we had outstanding forward and options contracts in the amount of $ 452.6 million, and $216.0 million respectively. We may not be able to purchase contracts adequate to insulate ourselves from foreign exchange currency risks. Additionally, the policies of the RBI may change from time to time which may limit our ability to hedge our foreign currency exposures adequately.

Fluctuations in the exchange rate between the rupee and the U.S. dollar will also affect the U.S. dollar conversion by our Depositary of any cash dividends paid in rupees on the equity shares represented by the ADSs. In addition, fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of our equity shares on the Indian Stock Exchanges. As a result, these fluctuations are likely to affect the prices of our ADSs. These fluctuations will also affect the dollar value of the proceeds a holder would receive upon the sale in India of any equity shares withdrawn from our Depositary under the deposit agreement. We cannot assure you that holders of ADSs will be able to convert rupee proceeds into U.S. dollars or any other currency or with respect to the rate at which any such conversion could occur. In addition, our market valuation could be seriously harmed by the devaluation of the rupee if U.S. investors analyze our value based on the U.S. dollar equivalent of our financial condition and results of operations.

Our ability to acquire companies organized outside India as part of our growth strategy depends on the approval of the GoI and/or the RBI and failure to obtain this approval could negatively impact our business.

We have developed a growth strategy based on, among other things, expanding our presence in existing and new markets and selectively pursuing joint venture and acquisition opportunities. Foreign exchange laws in India presently permit Indian companies to acquire or invest in foreign companies without any prior governmental approval if the transaction amount does not exceed 200.0% of the net worth of the foreign company as of the date of its most recent audited balance sheet. If consideration for the transaction is paid out of the proceeds of an American Depositary Receipt, or ADR, or Global Depositary Receipt, or GDR, sale, Indian exchange control laws do not impose any investment limits. Acquisitions in excess of the 200% net worth threshold require prior RBI approval. It is possible that any required approval from the RBI may not be obtained. Our failure to obtain approvals for acquisitions of companies organized outside India may restrict our international growth, which could negatively affect our business and prospects.

If we are unable to protect our intellectual property rights, or if we infringe on the intellectual property rights of others, our business may be harmed.

The laws of India do not protect intellectual property rights to the same extent as the laws in the United States. Further, the global nature of our business makes it difficult for us to control the ultimate destination of our products and services. The misappropriation or duplication of our intellectual property could curtail our operations or reduce our profitability.

We rely upon a combination of non-disclosure and other contractual arrangements and copyright, trade secret and trademark laws to protect our intellectual property rights. Ownership of software and associated deliverables created for customers is generally retained by or assigned to our customers, and we do not retain an interest in such software and deliverables.

We have registered "Satyam" and other related marks in India and the United States under certain classes and have applied for the registration of such marks in other jurisdictions where we carry on business. We currently require our technical associates to enter into non-disclosure and assignment of rights agreements to limit use of, access to and distribution of confidential and proprietary information. We cannot assure you that the steps taken by us in this regard will be adequate to prevent misappropriation of confidential and proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services and products do not infringe upon the intellectual property rights of others, we cannot assure you that such a claim will not be asserted against us in the future. Assertion of such claims against us could result in litigation, and we cannot assure you that we would prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party on reasonable commercial terms.

We expect that the risk of infringement claims against us will increase if more of our competitors are able to obtain patents for software products and processes. Any such claims, regardless of their outcome, could result in substantial cost to us and divert the management's attention from our operations. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any infringement claim or litigation against us could therefore result in substantial costs and diversion of resources.

Indian laws limit our ability to raise capital outside India and may limit the ability of others to acquire us, which could prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.

Presently, Indian technology companies such as ours are able to raise capital outside of India without the prior approval of any Indian governmental authority through an ADR or GDR issuance or an issuance of convertible debt securities, subject with respect to convertible debt issuances to a limit of $500 million in any fiscal year. Changes to Indian foreign exchange laws may create restrictions on our capital raising abilities. For example, a limit on the foreign equity ownership of Indian technology companies may constrain our ability to seek and obtain additional equity investment by foreign investors. In addition, these restrictions, if applied to us, may prevent us from entering into certain transactions, such as an acquisition by a non-Indian company, which might otherwise be beneficial for us and the holders of our equity shares and ADSs.

Conditions in the Indian securities market may affect the price or liquidity of our equity shares and our ADSs.

The Indian securities markets are smaller and more volatile than securities markets in more developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities and the price of our equity shares has been especially volatile. The high and low prices of our shares on the BSE from fiscal 2003 until the latest practicable date are set forth in the table below.

	High		Low	
Fiscal Year	**Rs.**	**$ Equivalent**	**Rs.**	**$ Equivalent**
2003	145.9	3.1	87.6	1.8
2004	195.5	4.5	63.7	1.5
2005	221.0	5.1	125.0	2.9
2006	431.0	9.7	182.2	4.1
2007	524.9	12.2	270.5	6.3
2008(Through April 20, 2007)	495.9	11.9	435.0	10.2

On April 20, 2007**,** the closing price of our shares on the BSE was Rs.476.20. For comparison purposes, these prices have been adjusted to give effect to our October 10, 2006 two-for-one stock split (in the form of stock dividend). The prices of our shares have been translated into U.S. dollars based on the noon-buying rate as certified by the Federal Reserve Bank of New York on the last date of each period presented.

The Indian Stock Exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, the suspension of stock exchange administration, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian Stock Exchanges have, from time to time, restricted securities from trading, limited price movements and restricted margin requirements. Moreover, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of our equity shares and our ADSs.

It may be difficult for you to enforce any judgment obtained in the United States against us or our affiliates.

We are incorporated under the laws of the Republic of India. Many of our directors and key managerial personnel and some of the experts named in this document reside outside the United States. In addition, virtually all of our assets and the assets of many of these persons are located outside the United States. As a result, you may be unable to:

- effect service of process upon us outside India or these persons outside the jurisdiction of their residence; or
- enforce against us in courts outside of India or these persons outside the jurisdiction of their residence, judgments obtained in United States courts, including judgments predicated solely upon the federal securities laws of the United States.

We have been advised by our Indian counsel, that the United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on civil liability, whether or not predicated solely upon the federal securities laws of the United States, may not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment which has been obtained in the United States. If and to the extent Indian courts were of the opinion that fairness and good faith so required, it would, under current practice, give binding effect to the final judgment which had been rendered in the United States unless such a judgment was founded on a claim which breached the laws of India.

You may be subject to Indian taxes arising out of capital gains on the sale of the underlying equity shares.

Generally, capital gains, whether short-term or long-term, arising from the sale of the underlying equity shares in India are subject to Indian capital gains tax. For the purpose of computing the amount of capital gains subject to tax, Indian law specifies that the cost of acquisition of the equity shares will be deemed to be the share price prevailing on the BSE or the NSE on the date the Depositary advises the custodian to exchange receipts for underlying equity shares. The period of holding of such equity shares, for determining whether the gain is long-term or short-term, commences on the date of the giving of such notice by our Depositary to the custodian. With effect from October 1, 2004, any gains realized on the sale of listed equity shares held for more than 12 months to an Indian resident, or a non-resident investor in India, will not be subject to Indian capital gains tax if the securities transaction tax has been paid on the transaction. Investors are advised to consult their own tax advisors and to consider carefully the potential tax consequences of an investment in our ADSs.

There may be less company information available in Indian securities markets than securities markets in other countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed economies. SEBI is responsible for improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed economies.

Risk Related to our ADSs and our Trading Market

Historically, our ADSs have traded at a significant premium to the trading prices of our underlying equity shares, a situation which may not continue.

Historically, our ADSs have traded on the NYSE at a substantial premium to the trading prices of our underlying equity shares on the Indian Stock Exchanges. We believe that this price premium has resulted from the relatively small portion of our market capitalization represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs, and an apparent preference for some investors to trade U.S. dollar-denominated securities. Over time, some of the restrictions on the issuance of the ADSs imposed by Indian law have been relaxed and we expect that other restrictions may be relaxed in the future. As a result, the historical premium enjoyed by ADSs as compared to equity shares may be reduced or eliminated due to our sponsored ADS offering or similar transactions in the future, a change in Indian law permitting further conversion of equity shares into ADSs or changes in investor preferences.

You may be restricted in your ability to exercise preemptive rights under Indian law and thereby may suffer future dilution of your ownership position.

Under the Companies Act, 1956 of India, or the Companies Act, a company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the preemptive rights have been waived by adopting a special resolution by holders of three-fourths of the shares which are voted on the resolution. You may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any given registration statement as well as the perceived benefits of enabling the holders of our ADSs to exercise their preemptive rights and any other factors that we deem appropriate to consider at the time the decision must be made. We may elect not to file a registration statement relating to preemptive rights otherwise available by law to you. In the case of future issuances, the new securities may be issued to our Depositary, which may sell the securities for your benefit. The value, if any, our Depositary would receive upon the sale of such securities cannot be predicted. To the extent that you are unable to exercise preemptive rights granted in respect of the equity shares represented by your ADSs, your proportional interests in our company would be reduced.

Holders of ADSs may be restricted in their ability to exercise voting rights.

At our request, our Depositary will mail to you any notice of shareholders' meeting received from us together with information explaining how to instruct our Depositary to exercise the voting rights of the securities represented by ADSs. If our Depositary timely receives voting instructions from you, it will endeavor to vote the securities represented by your ADSs in accordance with such voting instructions. However, the ability of our Depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to our Depositary in a timely manner. Securities for which no voting instructions have been received will not be voted.

Under Indian law, subject to the presence in person at a shareholder meeting of persons holding equity shares representing a quorum, all resolutions proposed to be approved at that meeting are voted on by a show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least 10.0% of the total shares entitled to vote on the resolution or by those holding shares with an aggregate paid up value of at least Rs. 50,000. Equity shares not represented in person at the meeting, including equity shares underlying ADSs for which a holder has provided voting instructions to our Depositary, are not counted in a vote by show of hands. As a result, only in the event that a shareholder present at the meeting demands that a poll be taken will the votes of ADS holders be counted. Securities for which no voting instructions have been received will not be voted on a poll.

As a foreign private issuer, we are not subject to the SEC's proxy rules, which regulate the form and content of solicitations by U.S.-based issuers of proxies from their shareholders. To-date, our practice has been to provide advance notice to our ADS holders of all shareholder meetings and to solicit their vote on such matters through our Depositary, and we expect to continue this practice. The form of notice and proxy statement that we have been using does not include all of the information that would be provided under the

SEC's proxy rules.

An active or liquid trading market for our ADSs is not assured.

We cannot predict the extent to which an active, liquid public trading market for our ADSs will exist. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The lack of an active, liquid trading market could result in the loss of market makers, media attention and analyst coverage. If there is no longer a market for our equity shares, or if we fail to continue to meet eligibility requirements, we may be required to delist from the NYSE and this may cause our share prices to decrease significantly. In addition, if there is a prolonged decline in the price of our equity shares, we may not be able to issue equity securities to fund our growth, which would cause us to limit our growth or to incur higher cost funding, such as short-term or long-term debt.

Liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. Although you are entitled to withdraw the equity shares underlying the ADSs from our Depositary at any time, there is no public market for our equity shares in the United States.

The future sales of securities by our company or existing shareholders may harm the price of our ADSs or our equity shares.

The market price of our ADSs or our equity shares could decline as a result of sales of a large number of ADSs or equity shares or the perception that such sales could occur. Such sales also might make it more difficult for us to sell ADSs or equity securities in the future at a time and at a price that we deem appropriate. As of March 31, 2007, we had an aggregate of equity shares outstanding of 664,900,129 (excluding 2,295,880 equity shares held by the Satyam Associate Trust), which includes underlying equity shares of 130,209,472 represented by 65,104,736 ADSs. In addition, as of March 31, 2007 we had outstanding options to purchase approximately 7,986,700 of our equity shares. All ADSs are freely tradable, other than ADSs purchased by our affiliates. The remaining equity shares outstanding may be sold in the United States only pursuant to a registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act.

ITEM 4. INFORMATION ON THE COMPANY

Business Overview

We were incorporated under the laws of the Republic of India in June 1987. Our principal executive office is located at Satyam Technology Center, Bahadurpallay Village, Qutbullapur Mandal, R.R. District – 500855, Hyderabad, Andhra Pradesh, India. Our telephone number at this address is (91) 40-3063-3535. Our website address is *www.satyam.com* and information contained on our website does not constitute a part of this Annual Report.

We are a global IT solutions provider, offering a comprehensive range of IT services to our customers including, application development and maintenance services, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. We also offer BPO services through our majority-owned subsidiary company, Nipuna. We began providing IT services to businesses in 1988 and were the fourth largest Indian IT software and services company, based on the amount of export revenues generated during fiscal 2006. Our revenues grew to $1,461.4 million in fiscal 2007 from $566.4 million in fiscal 2004, representing a compound annual growth rate, or CAGR of 37.2%. For the same period, our net income grew from $111.9 million to $298.4 million. The number of our employees, whom we refer to as associates, grew from 14,456 as of March 31, 2004 to 39,018 as of March 31, 2007.

We provide services to customers from various industries including manufacturing, banking and financial services, insurance, telecommunications, infrastructure media and entertainment and semiconductors or TIMES, healthcare, retail and transportation. We believe we have the ability to develop large, long-term customer relationships, by demonstrating an understanding of our customers' business requirements through our industry expertise and by continually providing high quality services in a cost effective manner. As of March 31, 2007, we had 558 active customers, including 163 Fortune Global 500 or Fortune U.S. 500 companies and 57 companies that generated more than $5.0 million in annual revenues in fiscal 2007. 86.7% of our revenues for fiscal 2007 and 90.6% of our revenues for fiscal 2006 were from repeat business given by our existing customers.

In June 2002, we established our majority-owned BPO subsidiary, Nipuna, which offers back-office transaction processing services, customer care services and product support and technical help desk services in the areas of finance and accounting, human resources, claims administration and document management. Nipuna has added services such as research, analytics and animation to its portfolio of service offerings. As of March 31, 2007, Nipuna had 2,916 associates and 33 customers, of which 13 are Fortune Global 500 and Fortune U.S. 500 companies.

On May 12, 2005, we acquired a 75.0% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm that has focused on the investment management industry since 1986. Citisoft is a UK-based firm, with operating presences in London, Boston and New York. On June 29, 2006, we exercised the call option and acquired the remaining 25.0% equity interest in Citisoft, making Citisoft our wholly-owned subsidiary from that date. The operating results of Citisoft are evaluated by the management under IT services segment.

On July 21 2005, Satyam Computer Services announced its intention to acquire 100% of the shares of Knowledge Dynamics Pte Ltd, Singapore, ("Knowledge Dynamics"), a leading Data Warehousing and Business Intelligence Solutions provider. The transaction was consummated on October 1, 2005, the date of transfer of shares to Satyam Computer Services and Satyam Computer Services has consolidated Knowledge Dynamics Pte Ltd, Singapore, from October 1, 2005. The acquisition has been accounted for by following the purchase method of accounting.

On November 7, 2005, we offered to sell an aggregate of 11,182,600 equity shares, representing our entire investment of 31.61% of the outstanding equity shares of Sify. The sale transaction was consummated on November 9, 2005 at a sale price of $5.60 per equity share aggregating to $62.3 million. We accounted for our share of equity in earnings/(losses) of Sify under equity method of accounting upto November 9, 2005. The excess of sale proceeds (net of transaction costs) over the carrying value of investment in Sify as on the date of sale amounting to $43.6 million has been recognized as gain in the statement of income during the year ended March 31, 2006.

On August 21, 2006, the shareholders of Satyam Computer Services approved a two-for-one stock split (in the form of stock dividend) which was effective on October 10, 2006. Consequently, Satyam capitalized an amount of $17.7 million from its retained earnings to common stock. All references to number of shares, per share amounts, stock option data, and market prices of Satyam Computer Services' equity shares have been retroactively restated to reflect the stock split unless otherwise noted.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement ("SPRA Agreement") was entered into between Satyam, the investors and Nipuna. Out of the total preference shares, 50% of the preference shares ($ 10 million) would be redeemed for $ 13.6 million at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. Since 50% of the preference shares are mandatorily redeemable. We have reclassified 50% of the preference shares as a current liability measured at fair value and accrued redemption premium amounting to $3.6 million up to March 31, 2007.

The investors gave Nipuna a notice of conversion of preference shares and in January 2007 preference shares amounting to $10 million have been converted into 6,422,267 equity shares of Nipuna. Due to the issue of shares by Nipuna, Satyam Computer Services' ownership interest in Nipuna was reduced from 100.0% as at March 31, 2006 to 74.0% as at March 31, 2007. The shares issued to the investors are at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of US$7.9 million, net of taxes during the year ended March 31, 2007 has been recorded as an increase in additional paid in capital. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam's consolidated statement of income.

During 2007, we have also established the following schemes "Associate Stock Option Plan - Restricted Stock Units (ASOP – RSUs)" and "Associate Stock Option Plan — RSUs (ADS)". See "Item 6. Directors, Senior Management and Employees — Employee Benefit Plans" — for more information.

We filed a request for arbitration with the London Court of International Arbitration, or LCIA, naming Venture Global Engineering LLC, USA, VGE, as respondent. The Arbitration concerned a dispute between us and VGE in connection with their joint venture, Satyam Venture Engineering Services Private Limited. The LCIA Arbitrator issued his Final Award on April 3, 2006 in our favour. We have filed a petition to recognize and enforce the award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois. Our management believes that this will not have an adverse effect upon our results of operations, financial condition and cash flows.

Industry Overview

Global IT Services Overview

Global IT services spending has been estimated to have totalled $444 billion in fiscal 2005. The global IT services spending remained strong in fiscal 2006 with the aggregate total of $470 billion which increased by 5.9% with respect to 2005.

We believe the growth of global IT services spending is driven by the following factors and trends:

• ***Increased importance of IT to businesses.*** In today's increasingly competitive business environment, companies have become dependent on information technology not only to conduct day-to-day operations, but also as a strategic tool to enable them to re-engineer business processes, restructure organizations and react quickly to competitive, regulatory and technological changes. As information systems continually become more complex with the use of multiple applications and rapidly changing technologies, companies are increasingly turning to external IT service providers to develop and implement new technologies and integrate them with existing applications in which they may have already made considerable investments.

• ***Impact of the Internet and other new technologies on business.*** Businesses are increasingly using the Internet to interact with new and existing customers and create new revenue opportunities. Businesses conducted electronically over the Internet extend beyond Internet-based applications to include packaged software tools, such as customer and supply chain management software, that need to be integrated with a company's enterprise systems. These initiatives are often large and difficult to manage in-house and need to keep pace with constantly evolving business processes and technological innovations leading to demand for IT services companies.

• ***Managing and upgrading existing systems.*** Managing and upgrading existing systems has become critical given the importance of IT and related systems to new business initiatives. Internal IT departments often do not have the appropriate resources or breadth of skills necessary to manage or upgrade existing systems. As a result, companies are increasingly looking to external service providers to design, integrate, implement and maintain their applications based on new technologies.

• ***Increasing trend towards offshore outsourcing.*** The increasing complexities and costs of IT services, together with an increasing need for highly skilled technology professionals and tightening IT budgets for companies, are driving demand for professional IT services companies who are able to provide a cost effective, high quality, comprehensive range of services. The offshore delivery model is enabling companies to increasingly outsource complex assignments and generate not only cost savings in IT services but also greater efficiencies in their business processes. In addition, companies are increasingly using the "utility computing" or "pay for what you use", model for infrastructure, data-warehousing and IT system usage, which is further fueling growth in infrastructure, network outsourcing and network management services.

Indian IT Services Industry Overview

As organizations realize the cost effectiveness of off shoring their outsourced services, they are increasingly making off shoring a part of their business strategy.

India is considered to be the most favored destination for offshore IT service delivery. According to the National Association of Software and Services Companies, or NASSCOM strategic review 2007, the export revenue generated from the software and service industry (IT-BPO) in India was approximately $17.7 billion in fiscal 2005. In fiscal 2006, the export revenue increased by 33.3% to $23.6 billion. The projected export revenue for 2007 is approximately $31 billion and which is likely to increase to $60 billion by the end of 2010. The key factors that are expected to contribute to this growth are:

• ***High quality delivery record.*** Indian companies have developed high quality delivery processes. A 2004 NASSCOM survey of international quality standards of the top 275 Indian IT services companies reported that 195 companies had acquired International Standards Organization, or ISO, 9000 quality certification. According to NASSCOM, during 2004, 74 Indian companies received a level five assessment under SEI-CMM, developed by the Carnegie Mellon University. Level five is the highest level attainable under the SEI-CMM standards, which assess an organization's quality management system and systems engineering processes and methodologies.

• L***arge supply of English-speaking IT professionals.*** We believe that India ranks second only to the United States as the country with the largest population of English-speaking IT professionals. According to the NASSCOM strategic review 2007, educational institutes in India will produce approximately 500,000 technically trained graduates (Engineering degree/Diploma/MCA) by the end of 2007. Given the shortage of technical labor in the United States and other developed economies, the availability of technically skilled personnel is proving to be a competitive advantage for Indian IT service companies.

• ***Significant cost advantage.*** We believe that the cost of employing IT professionals in India is significantly lower than in developed countries such as the United States. The use of high quality, low cost resources provides a significant opportunity for companies to realize cost savings by offshoring IT services to India.

Trends

The Indian IT services industry has been witnessing changes in customer demands and we believe that service providers who are best able to adapt to these changes will succeed in the long run. Some key emerging industry trends are described below:

• ***Enhanced expectations.*** Increasingly, companies are expecting more value from their IT service providers than just the traditional cost advantages derived by offshoring the delivery of IT services. Companies increasingly prefer service providers that can provide strategic advice related to designing and increasing efficiencies of business processes and also assist in implementing their recommendations. Also, service providers with strong industry expertise are favored over those who can only provide strong technical skills.

• ***Large, multi-year, end-to-end contracts.*** Companies are increasingly looking for IT service providers that can provide end-to-end solutions over a long period of time. In addition, companies, which have a presence across various geographies, need IT support on a global scale and often seek a single service provider that can offer a comprehensive range of services on a long-term basis across the world, and understand and integrate a wide spectrum of emerging technologies with existing systems.

• ***Relationships with customers' key senior management.*** As outsourcing contracts increasingly gain strategic importance to businesses, customers' senior management teams have become more involved in outsourcing contract negotiation and monitoring. As a result, IT service providers need to ensure that their senior account managers develop strong and lasting working relationships with customers' senior management.

• ***Performance measurement.*** Companies are increasingly demanding transparency in performance measurement. IT service providers with their own well developed benchmarks, frameworks and models to measure performance or demonstrate potential benefits are likely to have significant advantage over their competitors who offer more generic IT services.

Our Competitive Strengths

We believe that we are strongly placed to consolidate our market position as a leading IT service provider due to our competitive strengths which include:

• ***Comprehensive range of services combined with specialized industry expertise.*** Our comprehensive range of end-to-end technology-based services encompasses application development and maintenance services, consulting and enterprise business solutions, extended engineering solutions, infrastructure management services and BPO services. Our comprehensive range of services enables us to broaden our dialogue with potential customers, deepen our relationships with existing customers and diversify our revenue base. Our services are built on a foundation of a rich understanding of the industries in which our customers operate and the underlying technologies that drive those industries. Our industry-focused business units such as manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation, allow us to understand the strategic issues facing our customers. At the Gartner Global Sourcing Summit 2004, we were adjudged the winner of the "Risk Management Award", a prestigious award that recognizes effectiveness in managing risk and were also declared a joint winner of the "Solution Delivery Award" which recognizes creativity in enhancing customers' business competitiveness. The voting for these awards was done solely by the business executives attending the summit. Our dedicated technology competency centers, which we refer to as "centers of excellence," track trends in key technologies, which facilitates creation of solutions based on these technologies. Our centers of excellence work closely with the industry-focused business units in areas such as business intelligence, data warehousing, customer relationship management, product life cycle management and supply chain management to ensure that our services fulfill our customers' business objectives and IT requirements.

• ***Flexible, highly evolved delivery model.*** We provide our services through 29 offsite centers in locations in Australia**,** Brazil, Canada, China**,** Germany, Hungary, Japan, Korea, Malaysia, Singapore, South Africa, Thailand, United Arab Emirates**,** the United Kingdom and United States and our onsite teams operating at our customers' premises. Over the past decade, we have made substantial investments in our infrastructure, processes and systems allowing us to evolve our global delivery model to effectively integrate offshore, offsite, near shore and onsite services and perform a greater volume of work at our offshore development centers. This delivery model seeks to provide customers with seamless solutions in reduced timeframes, enabling them to achieve operating efficiencies and realize significant cost savings. It also enables us to deliver the most appropriate mix of resources and services on a 24/7 basis. Furthermore, our robust delivery model is flexible, so that it can be adapted to respond to customer objectives relating to critical issues such as scalability and security. We continue to evolve our delivery model and believe that our customer-oriented approach and ongoing refinements represent an important competitive advantage.

• ***Established leadership position in consulting and enterprise business solutions.*** Our consulting and enterprise business solutions help customers optimize their operating costs, enhance the efficiency of their business processes and improve their overall competitiveness. These solutions span the development, implementation, integration and maintenance of various enterprise-wide applications. Our solutions are enhanced by our strategic alliances with more than 60 leading technology providers such as SAP and Oracle. Our highly evolved delivery model, coupled with our industry expertise and center of excellence-driven technology competencies, allows us to provide customers with a value proposition in consulting and enterprise solutions. Over the past few years, we have made strategic investments to augment our capabilities in this area which is reflected in the growing revenues from this business. During fiscal 2007 and fiscal 2006 39.7% and 39.2% respectively, of our revenues, was generated from consulting and enterprise business solutions.

• ***Strong relationships with blue chip customers.*** We have long-standing relationships with large multinational corporations built on our successful execution of prior engagements. We believe we have significantly more Fortune Global 500 or Fortune U.S. 500 corporations as customers, relative to scale of revenue, as compared to other leading Indian IT services companies. As of March 31, 2007, we had 558 active customers, including 163 Fortune Global 500 or Fortune U.S. 500 companies. Our track record of delivering comprehensive solutions based on demonstrated industry and technology expertise has helped in forging strong relationships with our major customers and gaining increased business from them. We have a history of high customer retention and derive a significant proportion of our revenue from repeat business. During fiscal 2007 and fiscal 2006, 86.7% and 90.6%, respectively, of our revenues, was generated from existing customers.

•***Track record of high quality execution***. We are committed to achieving operational excellence in our processes, people and infrastructure. Our quality assurance programs form an integral part of our project management methodology and seek to ensure that we consistently deliver high quality services to our customers. For instance, we have a company-wide quality management system, which satisfies the ISO 9001:2000 TickIT standard. We have been assessed at CMMI Level 5, the highest level possible, and have implemented the Six Sigma processes for application development and maintenance. We have also achieved domain specific certifications like AS9100/EN9100 for ES group – Aerospace domain, PCMM Level 5 Assessment for Pune Location, S15000/ISO20000 certification for N&S across India and BS15000 Global Certification for IMS business.

We have a large pool of highly skilled, well-trained technical associates spanning 60 nationalities. As of March 31, 2007, we employed 36,997 technical associates in the IT services area. Each new technical associate participates in an intensive 12 week initial training program and a minimum of 40 hours training each year on development and leadership. We continue to develop our infrastructure to make it more resilient. For instance, we have implemented ISO 27001, the internationally recognized global upgrade from BS7799 standard, which delivers a high level of information security to protect our customers' intellectual property. We have also established a comprehensive disaster recovery and business continuity model to ensure uninterrupted service availability from our global delivery network. We constantly benchmark our processes, people and infrastructure against globally recognized standards.

• ***Culture of innovation.*** We have a history of innovation that is facilitated by our entrepreneurial culture and our management's willingness to make strategic investments in growth markets. We believe we were one of the pioneers in the delivery of India-based IT services. For example, we believe that we were among the earliest Indian IT service companies to set up in 1992 a dedicated satellite link between a customer's facilities and our India operations. Our technology laboratories continue to develop and bring to market new solutions based on new technologies. For instance, we are one of the few companies in India to offer utility and grid computing services to customers. We have also been innovative in our internal organization and have introduced industry leading practices in hiring, resource planning and knowledge sharing. These accomplishments and initiatives have further enhanced our brand and reputation in the marketplace.

Our Growth Strategy

Our goal is to be a leading global provider of comprehensive IT solutions and services. We intend to accomplish our goal by:

• ***Building on our long-standing customer relationships to cross-sell our comprehensive range of services.*** Our goal is to build long-term sustainable business relationships with our customers to generate consistent revenues. We plan to continue to expand the scope and range of services provided to our existing customers by continuing to build our expertise in major industries and extending our capabilities into new and emerging technologies. For example, we intend to capitalize on the BPO services offered by Nipuna by cross-selling these services to our existing customers, which will enable us to secure a higher share of our customers' spending. To further strengthen our relationships and broaden the scope and range of services we provide to existing customers, our senior corporate executives have specific account management and relationship responsibilities. We have successfully established strong relationships with our customers' chief information officers and are continuing to strengthen our relationships with other key members of our customers' management teams. These strong relationships have helped us to better understand our customers' business needs and enabled us to provide effective solutions to meet these needs.

• ***Continuing to focus on enterprise-wide business solutions and high quality value-added services.*** To better serve our customers in key industry segments, we intend to continue to focus on providing end-to-end enterprise-wide business solutions and increasing our share of value-added services, such as data warehousing and business intelligence, application portfolio management, process and quality consulting, business performance management, industry and regulatory specific solutions and grid computing solutions. To continue to differentiate our services and achieve recognition as a leading global provider of comprehensive IT services, we intend to continually invest in research and development and broaden our range of solution offerings as new technologies become available.

• ***Expanding our presence in existing markets and penetrating new geographic markets.*** We plan to expand our presence in our existing markets and establish a presence in new geographic markets throughout North America, Europe, Latin America, and the Asia-Pacific region. We intend to accomplish this by increasing our brand visibility and leveraging our global development centers to extend our services to customers located in these geographies. We also plan to continue to hire local associates to staff and manage our global development centers and to strengthen our sales and marketing functions to facilitate building strong relationships. We believe that the use of locally hired technical associates and managers working from our global development centers will enable us to increase our market share in the local markets and compete effectively by combining local expertise with our global delivery capabilities. We expect that a wider geographical presence will also facilitate revenue generation in multiple currencies, reduce our exposure to volatility in a particular currency, and help hedge against margin erosion due to currency fluctuations.

• ***Continuing to enhance our industry expertise.*** We aim to have an in-depth understanding of targeted industries including manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation, which will help us identify and understand customer needs and proactively design and offer customized IT solutions to address those needs. By focusing on targeted industries, we believe we can develop industry-specific solutions and services that can be leveraged effectively to deliver services within the same industry, thereby lowering our cost of delivering those services. We intend to enhance our business knowledge and competencies in the various industries that we service by hiring additional specialists with deep industry knowledge and expertise.

• A***ttracting and retaining quality technical associates and augmenting their training.*** To attract, retain and motivate our technical associates, we plan to continue to provide an environment that rewards entrepreneurial initiative and performance, including competitive salaries and benefits as well as performance-linked incentives. We also intend to continue to devote significant resources to train our technical associates in a variety of software languages and computer platforms through our Satyam Learning Center.

• ***Enhancing our capabilities through technology alliances and acquisitions.*** We intend to continue to explore the formation of new alliances as well as strengthen existing partnerships with key technology vendors to enable us to leverage our partners' strengths. We will also consider acquisitions to gain access to specific technologies and exploit synergies with our existing business. We regularly engage in discussions and negotiations in the ordinary course of our business relating to potential investment, technology alliances and acquisitions that would achieve these objectives.

IT Service Offerings

We offer a comprehensive range of IT services based on existing and emerging technologies that are tailored to meet the specific needs of our customers. Our IT services include:

Application development and maintenance services

Application development

We design, develop and implement customized IT solutions software for a variety of business processes and requirements. Our solution implementations range from single-platform, single-site systems to multi-platform, multiple-site systems. A project may involve the development of a new application, customizing packaged software, enhancing the capabilities of existing software applications, upgrading a legacy solution both to suit the newer technology environments and to enhance the lifetime of such applications. Each development project typically involves the full life-cycle of software development, including, definition, prototyping, architecting, designing, piloting, programming, testing, installing and subsequent maintenance.

Application maintenance

We provide maintenance services for large software systems, including modifications and enhancements to the business functionality as well as providing production support to facilitate around the clock availability of applications spread across multiple geographies encompassing diverse technologies. We interact with the business users to map new functionalities and enhance the application systems to cater to new set of business rules. We also assist customers in migration or re-hosting to new technologies, such as Microsoft and Open systems, to extend the useful life of existing systems. We perform most of the maintenance work at our offshore global development centers using satellite links to our customers' systems. In addition, we maintain a small team on our customers' premises to coordinate support functions. In certain instances, we utilize our offsite and nearshore development centers to coordinate these support functions with either no or minimal work at the customer's site.

Consulting and enterprise business solutions

Leveraging our alliances with independent software vendors such as Oracle, SAP and Informatica, we offer an extensive portfolio of consulting and enterprise business solutions to enhance our customers' business competitiveness. We provide solutions and services in the areas of enterprise resource planning, customer relationship management and supply chain management, data warehousing and business intelligence, knowledge management, document management and enterprise application integration to address the customer's needs and to integrate systems and processes across the organization for optimized business performance. These solutions enable our customers to strengthen relationships with their customers and business partners, create new revenue opportunities, enhance operating efficiencies and improve communication.

Extended engineering solutions

We provide extended engineering solutions to industries such as the automotive, aerospace, industrial equipment, consumer appliances and telecommunications, using computer aided design, modeling and engineering tools. Our services include mechanical designing, embedded and electronic designing, product and process analysis, product life-cycle management and range from handling basic drawing changes to delivering complex designs. Our focus is to enable our customers to realize significant cost benefits and to enable them to compete effectively in their product design and development functions.

Infrastructure management services

To address our customers' specific requests to provide infrastructure and technology support, we provide solutions and services which range from routine maintenance of hardware and software to complex security solutions. Our services include administration, infrastructure management, migration, upgrades, configuration, backup, security management, performance management, operations monitoring and consolidation services for a variety of operating systems and platforms, data, voice and video networks and mail servers. We offer services which cover a range of hardware platforms (IBM, HP and Sun) and environments (UNIX, AIX, Solaris, HP-UX and Windows). We have also built alliances with over seven infrastructure and technology product vendors to enhance our capabilities. We leverage our data center facility in Columbus, Ohio, in the United States to provide various hosting services to our customers.

Delivery of IT Services

We leverage our integrated global delivery model, which we refer to as the "Right Sourcing Model," to provide flexible service delivery alternatives to our customers through our offshore centers located in India, offsite centers established in our major markets, nearshore centers located geographically near our customers' premises and through our onsite teams operating at our customers' premises. Our offshore, offsite and nearshore centers are linked to our customer's onsite system through a high performance communication network, enabling us to provide integrated services from each delivery location. Our global delivery model allows us the flexibility to transition onsite IT services seamlessly to our offsite, nearshore or offshore centers, which benefits our customers and provides us with greater returns.

Offshore centers

We typically assign a team of technical associates to visit a customer's premises to determine the scope and requirements of a particular project. Some members of the initial team remain onsite to facilitate direct liaison with the customer, while others return to India to establish and supervise a larger project team of suitably qualified technical associates to implement the project. Typically, approximately 20% of a project team is onsite but the ratio can vary based on the nature and complexity of the project.

We have also entered into arrangements with several customers where an entire project team is assigned to a single customer. Such teams, called dedicated offshore centers, work from our facilities in India and are staffed and managed by us. Once the project priorities are established by the customer, we, in conjunction with the customer's IT department, manage the execution of the project. When needed, such offshore centers have equipment specific to the customer, or have a designated work area with its own security protocols. In such cases, the customer agrees to regular periodic billing regardless of the work performed.

Offsite centers

We believe that a key success factor in meeting our customers' needs is our physical proximity to the customer. Accordingly, we have expanded and improved our offshore development model by establishing offsite centers in our major markets. We have 29 offsite centers in locations in Australia, Brazil, Canada, China, Germany, Hungary, Japan, Korea, Malaysia, Singapore, South Africa, Thailand, United Arab Emirates, the United Kingdom and United States.

In addition, many of our existing customers are expanding into new geographic markets and are requiring us to serve them in these new locations. This trend has led us to increase the number of offsite centers as a part of our "Follow the Customer" strategy. We believe that these offsite centers, apart from serving our existing customers, also help us generate new business in these geographic locations. We believe our offsite centers allow us to respond quickly to customer requests, to interact closely with the customer to develop IT services where the customer's specifications are not clearly defined and to market services tailored to meet the needs of specific geographic markets. We staff our offsite centers with locally-hired managers, marketers and technical associates which we believe enable us to compete more effectively with local IT service providers.

Nearshore centers

For some of our customers, especially in the United States, we have leveraged Canada as a nearshore center because of its proximity to the customer and the advantages of providing services from centers in the same time zone as the customer. Instead of using only our offshore and onsite locations for the solution delivery, we utilize these nearshore centers to perform a variety of life cycle activities. For example, for certain development projects, we have created prototypes of the solution in these nearshore centers. Since the development of prototypes typically involve a high level of interaction with the customer and our onsite teams, the nearshore centers facilitate quick turnaround times.

We use our China development center as a nearshore center for the Asia-Pacific region to leverage the language capability and also multi-byte data for Asian languages. Similarly, we intend to use our Hungary development center for the European and North and South American markets.

Onsite teams

Some customers require the presence of our project teams at their premises, particularly for mission critical or higher involvement projects. The customer's team and our project team collaborate to develop IT services that meet the customer's specifications.

Quality and Project Management

Critical elements for the success of our global delivery model are well established quality management systems and sophisticated project management techniques. As an integral part of our processes, we have established a strict quality assurance and control program. We are certified under the ISO 9001 TickIT standard. Each of our business units that qualify for an assessment on the CMMI model have been assessed at CMMI Level 5 resulting in Satyam being a CMMI Level 5 company. We have also achieved AS9100/EN9100 certification – Quality Systems requirements for aerospace suppliers, PCMM Level 5 Assessment for Pune Location. We have adopted Six Sigma as a way of improving our processes and providing the highest levels of quality to our customers. Our quality management system involves, among other things, a rigorous review of software development processes, review and testing of work product and regular internal quality audits.

We have been certified under ISO 27001 — Information Security Management model. This model governs our information security activities and helps us manage security, business continuity and disaster recovery requirements of our customers. We are also certified for ISO20000 — IT Service Management standard for seamlessly providing IT Service to customers. Maintaining a high level of customer satisfaction requires sophisticated project management techniques to deliver services seamlessly across multiple locations and time zones. Further, to keep pace with high growth and deliver value proposition to customers, we have implemented an enterprise wide project management tool, Optima (Operational Projects Real Time Management). Optima is based on cProjects, a new Enterprise Project Management solution from SAP. cProjects has been customized to meet our specific needs and has been implemented across the organization.

Customers

We market our services primarily to companies in the United States, Europe, the Middle East and the Asia-Pacific region. We have a global customer base which, as of March 31, 2007, consisted of 558 customers including 163 Fortune Global 500 and Fortune U.S. 500 companies.

While we derive a significant proportion of our revenues from a limited number of customers, our strategy is to seek new customers and at the same time secure additional engagements from existing customers by providing high quality services and cross-selling new services. The strength of our relationships has resulted in significant recurring revenue from existing customers. Our business from existing customers in fiscal 2007, fiscal 2006 and fiscal 2005 accounted for 86.7%, 90.6% and 92.1% of IT services revenues, respectively. In fiscal 2007, fiscal 2006 and fiscal 2005, our largest customer, together with its affiliates, accounted for 6.3%, 8.8% and 10.8%, respectively, of our total revenues. In fiscal 2007, fiscal 2006 and fiscal 2005, our second largest customer accounted for 4.4%, 5.1% and 7.4% respectively, of our total revenues. Our top five customers accounted for 21.0%, 24.2% and 29.2% of our total revenues in fiscal 2007, fiscal 2006 and fiscal 2005 respectively.

The following is a distribution of our customers by our revenues on a trailing 12-month basis or for the fiscal indicated:

	Fiscal		
	2007	2006	2005
No. of $1+ million customers	116	101	109
No. of $5+ million customers	26	22	30
No. of $10+ million customers	31	23	19

Our customers are from diverse industry segments, including from the manufacturing, banking and finance, insurance, and telecom segments. The manufacturing segment accounts for the highest contribution of our revenues followed by the banking and finance segment. We continue to witness accelerated growth in the healthcare segment, while customers have been increasing in newer segments such as retail, energy and utilities.

The following is a distribution of our IT revenues across our industry segments for the three most recent fiscal years:

	Fiscal		
	2007	2006	2005
Manufacturing	27.0%	28.6%	29.2%
Banking and Finance	17.5	18.5	17.8
Insurance	8.8	8.8	11.4
TIMES	20.3	18.4	17.3
Healthcare	7.2	6.1	6.0
Retail	3.5	3.1	2.8
Transportation	2.3	2.6	2.7
Others	13.4	13.9	12.8
Total	100.0%	100.0%	100.0%

Sales and Marketing

Our sales operations comprise a Sales team, Account management team, Pre-Sales support team, and our Strategic Deals Group. Sales associates work solely on acquiring new customers. The second group consists of relationship managers who cross-sell services to existing customers and are responsible for building long-term relationships with such customers. The Pre-Sales group supports the business development efforts for prospects and existing accounts. Satyam has also invested in a strategic deals group, which focuses on acquiring large strategic deals.

In markets such as the United States and the United Kingdom, we have an industry-focused sales operation, while in other markets we have regional heads who oversee the sales activity.

In order to create greater visibility and recognition of our Satyam brand, we continue to invest in focused programs to enhance customer intimacy. These programs include holding annual customer summits to facilitate customer interaction, organizing forums, and participating in and sponsoring industry events to position Satyam as a thought leader.

As of March 31, 2007, we employed 268 marketing and sales associates.

BPO Services and Nipuna

Nipuna, our majority-owned subsidiary, offers BPO services including product support, technical help desk, back-office transaction processing and customer care services in the areas of finance and accounting, human resources, claims administration and document management. Nipuna has recently added services such as research, analytics and animation to its portfolio of service offerings. Nipuna also offers industry specific services to customers in the manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation industries.

Nipuna was established in fiscal 2002. To promote Nipuna's business, we entered into an agreement with two investors, Olympus BPO Holdings Limited and Intel Capital Corporation Services Limited, which restricts Satyam from engaging in activities that are or could directly or indirectly be competitive with the business of Nipuna. Such activities include among others providing BPO, soliciting existing or prospective customers of Nipuna to obtain the services offered by Nipuna from other service providers and investing in companies engaged in the same or similar business as Nipuna. These non-compete restrictions apply until the investors redeem all of their preference shares in Nipuna or their equity interest in Nipuna up to 5%. See "Item 3. Key Information — Risk Factors — Risks Related to Our Overall Operations — We face intense competition in the IT services and BPO markets which could prevent us from attracting and retaining customers and could reduce our revenues."

As of March 31, 2007, Nipuna had 33 customers including 13 Fortune Global 500 and Fortune U.S. 500 companies. For fiscal 2007, fiscal 2006 and fiscal 2005, Nipuna had revenues of $38.1 million, $20.0 million and $10.0 million respectively. Nipuna handles more than 64 business processes for its customers, a majority of which are also customers of Satyam. Majority of Nipuna's customers are Fortune Global 500 and Fortune U.S. 500 companies, who have offshored their critical business processes to Nipuna.

The services offered by Nipuna include:

Claims administration and transaction processing services

Nipuna offers transaction processing services such as data management and claims administration to its customers. For example, Nipuna provides dental and medical claims administration support by facilitating data entry of the claims received, for one of the largest insurance companies in the United States. Its services have resulted in significant costs savings for the customer besides providing the customer with increased flexibility to manage workload during the peak and off-peak periods.

Customer care services

Nipuna provides customer care services to customers in different industries. For example, it provides inbound and outbound support for dial-up and digital subscriber line or DSL customers of a Fortune 100 communications services company.

Nipuna also provides IT help desk support to its customers.

Engineering services

Nipuna handles assembly plant management for one of the world's largest engine manufacturers. It also manages other processes such as quality compliance and management, engineering change management, AIS documentation, new product introduction and warranty claims processing. Nipuna also manages data entry of contact information for potential customers into a single database for one of the world's largest automobile manufacturers.

Strategic Alliances

We have in the past entered into, and plan to continue to enter into, strategic alliances with leading technology vendors and system integrators where both parties invest to develop innovative solutions and build competencies. We have partnered with some of the leading names in key application areas such as Enterprise Resource Planning (SAP & Oracle), Customer Relationship Management, Integration Middleware, Business Intelligence (Business Objects and Informatica) and Infrastructure Management. Some of our other prominent alliance partners include JDA, Dassault Matrix One, Documentum, Hummingbird and Hyperion. We believe that our existing alliances with over 60 leading technology vendors spanning distinct parts of our customers' value chain have enhanced our ability to offer packaged solutions across a wide array of technologies and platforms to our customers. We work closely with our alliance partners who provide assistance in technology evaluation and selection, product support and product enhancements. We also have alliances with education and research institutions (Indian Institute of Science, Carnegie Mellon University) to facilitate research and develop solutions to business problems. None of these alliances are exclusive in nature and some of the alliance agreements need to be renewed each year.

Our joint venture with Venture Engineering Global LLC, Satyam Venture, is engaged in providing engineering solutions, software development, and customization services specifically for the automotive industries worldwide. See "Item 8 – Financial information – Legal Proceedings." See also note 19(f) consolidated financial statements included in this Annual Report. In addition, our joint venture with Computer Associates International, Inc., or CA Satyam, is engaged in the business of hosting, delivering and administering selective applications consisting of software products licensed by Computer Associates International, Inc. These two joint ventures are accounted using equity method of accounting.

Employees

We refer to our employees as "associates." Our success depends in large part on our ability to attract, develop, motivate and retain highly skilled technical associates. Besides competitive salaries and incentive pay, we also offer extensive training, an entrepreneurial work environment and opportunities to work overseas. Since May 1998, we have offered stock options to our associates. but, subject to certain exceptions, have decided to stop all stock based compensation with effect from October 1, 2004. As of March 31, 2007, we had 39,018 associates including Nipuna's 2,916 associates representing a compound annual growth rate in the number of our associates of 40.5% since fiscal 2000. None of our associates are represented by a union. We believe that our relationship with our associates is good.

Our growth has been driven by our ability to attract top quality talent and effectively engage them. We strongly believe in caring for our associates' welfare and were selected as one of the Top 3 Best Employers in India by BT-TNS-Mercer in 2006.

Recruiting

We recruit graduates from the engineering departments of India's leading universities, engineering and technical colleges and management institutes. India has over 1,500 such institutions and, with the rapid growth of the IT services industry in India, the number of students pursuing education in software engineering has increased in recent years. This has allowed us to recruit from a large pool of qualified applicants who undergo our rigorous selection process involving a series of tests and interviews. We also hire professionals who have relevant prior experience from working in India and outside India.

Learning and Developmental Training

We devote significant resources for training our associates. We established the Satyam Learning Center & Satyam School of Leadership, which promotes our culture of learning and serves as a catalyst for us to sustain our technological, managerial and leadership edge. We require all associates to undergo a minimum of 40 hours of learning per year. We have qualified full-time faculty at our learning center that provides ongoing training to our associates at all levels, through which we build competencies in emerging disciplines necessary to meet our customers' needs. Our training initiatives provide us with a pool of qualified associates which in turn provides us the flexibility to ramp up resources to meet the demands of particular projects and to redeploy our personnel across projects according to our business needs. Apart from technical oriented learning, we also provide leadership training, language training and training on cultural sensitization. SLC has launched the "Satyam Learning World" a new learning management system procured by SLC, technology assisted learning hass gained significant momentum this year. Satyam Learning World (SLW) is a unique and first of its kind Virtual Learning Environment (VLE) in India. Satyam School of Leadership offers a plethora of learning initiatives for the leaders of organization. This is aimed at broadening our leadership bandwidth and developing our associates into business leaders for critical business areas such as program management and relationship management. These leaders grow other leaders by teaching and contributing to learning in the organization Trainers for our leadership training include professors from the Harvard Business School. We also recruit managers in non-software engineering fields for positions as project leaders and project managers and provide them with extensive training, usually over a six-month period, in software engineering and project management skills.

Retention

To attract, retain and motivate our associates, we seek to provide an environment that rewards entrepreneurial initiative and performance. We also provide competitive salaries and benefits as well as incentives in the form of cash bonuses. In fiscal 2007, 2006 and 2005, we experienced associate attrition in IT services at a rate of 15.7% 19.2%, and 16.5% respectively, which included involuntary attrition ranging from 3% to 5% as part of our systematic quality campaign.

Our human resources policies and practices are oriented towards enhancing associate engagement levels by proactively addressing the factors that impact retention. Several learning and development opportunities are provided to ensure that associates not only upgrade their skills and competencies but are also able to keep pace with cutting edge technologies and prepare themselves to take up challenging roles. Through our comprehensive rewards and recognitions programs and opportunities for job rotation across technologies, industries and locations, we ensure that our associates are motivated and performance oriented.

Our professionals who work onsite at customers' premises in the United States on temporary and extended assignments are typically required to obtain visas. H-1B visas are generally used for deploying personnel to the United States for onsite work, and L-1 visas are typically used for intra-company transfers of employees. Although there is no limit to new L-1 petitions, there is a limit to the number of new H-1B petitions that the United States Immigration and Naturalization Service may approve in any government fiscal year and in recent years this limit has been reached well before the end of the fiscal year. We are generally able to obtain H-1B and L-1 visas within two to four months of applying for such visas, which remain valid for three years and can be extended for a further three years. We plan for our visa requirements by forecasting our annual needs for such visas in advance and applying for such visas as soon as practicable. Our internal processes enable us to anticipate the amount and type of visas we need for our associates and to plan our resources in advance to meet our project needs.

Competition

We operate in a highly competitive and rapidly changing market and compete primarily with:

Table of Contents

- consulting firms such as Accenture, Bearing Point, Capgemini and Deloitte Consulting;
- divisions of large multinational technology firms such as Hewlett-Packard and IBM;
- IT outsourcing firms such as Computer Sciences Corporation, Electronic Data Systems and IBM Global Services; and
- offshore IT services firms such as Infosys Technologies Limited, Tata Consultancy Services Limited and Wipro Limited.

We also compete with software firms such as Oracle and SAP, service groups of computer equipment companies, in-house IT departments of large corporations and programming companies and temporary staffing firms. In addition, Nipuna faces competition from firms like Infosys BPO, formerly known as Progeon Ltd. and Wipro BPO, formerly known as Wipro Spectramind.

In the future, we expect competition from firms establishing and building their offshore presence and firms in countries with lower personnel costs than those prevailing in India. However, we recognize that price advantage alone cannot be a sustainable competitive advantage. We believe that the principal competitive factors in our business include our range of services offered, our level of technical expertise and industry knowledge, our responsiveness to customers' business needs and the perceived value added. We believe we compete favorably with respect to these factors.

Communications Infrastructure

A key component of our IT services delivery model is our ability to connect the customer's system with our offsite and offshore centers through a robust and high performance communications network. Our data and voice network, SatyamNet, connects our facilities worldwide through a high speed network with a backbone of satellite, fiber optic and land lines. SatyamNet provides flexibility for the projects to operate from any of the development facilities inside Satyam providing for seamless integration.

We have dedicated telecommunication network based on Multi Protocol Label Switching, or MPLS, technology and leased lines from reputed service providers such as Orange Business Services (formally known as Equant Inc.) for global connectivity, Sify Ltd for India domestic connections, VSNL, Bharti, Reliance and BSNL for intra-city communications in India. This network permits data communication between our facilities in India and our customers' facilities abroad. In the United States, we have communication hubs in Vienna, Virginia and Parsippany, New Jersey to connect to our customers' sites. Our other network hubs are Melbourne in Australia, London for the UK and rest of Europe.

We monitor the network performance and continually upgrade SatyamNet to enhance and optimize network efficiency across all operating locations. We currently have 109 Mbps commulative bandwidth for International data communication and 161Mbps Internet bandwidth globally. In addition, we have 81 Mbps of bandwidth on India MPLS connecting various cities, with our intra-city links being connected by multiple 10 Mbps lines totaling to 510Mbps across the country. We upgrade the bandwidth based on our requirements.

Our network has surplus capacity available to service new customers in the immediate future and to permit sudden bursts of data transfer and other contingent uses. We use voice over Internet protocols (VoIP) for our voice communication. We have created a resilient network through redundancy in the network and keep adequate stock of spares to ensure high availability and reliability of our networks.

SatyamNet has extensive security and virus protection capability built to conform to stringent customer and international standards to protect Satyam from virus attacks and provide the necessary security to customers' data. We have created plans for business continuity and disaster recovery by defining multiple sites across India and other development centers as backup centers for continuity of work.

Facilities

Our corporate headquarters, the Satyam Technology Center, is located in Hyderabad, India. We own this facility, which provides a modern workspace for approximately 4,000 software associates in two buildings covering an aggregate area of approximately 676,000 square feet, which are linked to our other facilities through SatyamNet. The Satyam Technology Center also has recreational facilities and housing for up to 750 associates which covers an area of approximately 285,000 square feet. This center also houses learning facilities covering an area of approximately 115,000 square feet to train 1440 associates.

We also have additional offshore software technology centers located in Bangalore, Bhubaneshwar, Chennai, Hyderabad, Vizag and Pune in India with facilities aggregating approximately 2,408,000 square feet. We own some of the facilities while others are leased by us on a long-term basis ranging from six to nine years.

Each facility is equipped with computers, servers, telecommunications lines and back-up electricity generation facilities sufficient to ensure an uninterrupted power supply. In addition to the offshore centers in India, we operate offsite and nearshore centers in major markets to establish a local presence closer to our customers. We lease all of our offsite and nearshore centers for durations ranging from two years to seven years.

We have incurred $81.5 million in fiscal 2007 and in fiscal 2008 we expect capital expenditure of approximately $100.0 million to finance the construction of new facilities and the expansion of our existing facilities in our offshore centers and to establish offsite centers outside of India.

Intellectual Property

Ownership of software and associated deliverables created for customers is generally retained by or assigned to the customer, and we do not usually retain an interest in such software or deliverables. We also develop software products and software tools which are licensed to customers and remain our property. We rely upon a combination of non-disclosure and other contractual arrangements and copyright, trade secret, patent and trademark laws to protect our proprietary rights in technology. We currently require our technical associates to enter into non-disclosure and assignment of rights agreements to limit use of, access to and distribution of our proprietary information. The source code for our proprietary software is generally protected as trade secrets and as unpublished copyright works. We have registered “Satyam” and other related marks in India and the United States under certain classes and have applied for the registration of such marks in other jurisdictions where we carry on business. We generally apply for trademarks and service marks to identify our various service and product offerings. Although we believe that our services and products do not infringe the intellectual property rights of others, we cannot assure you that such a claim will not be asserted against us in the future.

Seasonality

Our business is not affected by seasonality.

Government Regulation

Regulation of our business by the Indian government affects our business in several ways. We benefit from certain tax incentives promulgated by the GoI, including a 10-year tax holiday from Indian corporate income taxes for the operation of most of our Indian facilities and a partial taxable income deduction for profits derived from exported IT services under Indian tax laws. As a result of these incentives, our operations have been subject to relatively insignificant Indian tax liabilities. We have also benefited from the liberalization and deregulation of the Indian economy by the successive Indian governments since 1991. Further, there are restrictive parts of Indian law that effect our business, including the fact that we are generally required to obtain approval from the RBI and/or the Ministry of Finance of the GoI to acquire companies organized outside India, and we are generally required, subject to some exceptions, to obtain approval from relevant government authorities in India in order to raise capital outside India. Finally, the conversion of our equity shares into ADSs is governed by guidelines issued by the RBI.

Please see “Item 10. Additional Information”, as well as “Item 3. Key Information—Risk Factors” for additional information on the effects of governmental regulation of our business.

Research and Development

Our research and development efforts are focused on developing services required by our existing customers, to attract new customers and developing competencies and leadership in our service offerings. We have established close alliances with U.S. and Indian institutions such as Carnegie Mellon University and Indian Institute of Technology, Madras to strengthen our technology competencies. We have set up an enterprise business solution laboratory where latest versions of products are evaluated, business solution scenarios are created and validated. We have set up a grid computing laboratory which simulates a live grid environment for testing sample applications on the grid. We have also established a data warehousing and business intelligence center which has developed proprietary business intelligence architectural platform which enables us to build large scale data warehousing and business intelligence solutions. We are also working with major technology providers in the areas of technology architectures for .NET for solutions for various industries. In the embedded systems space, we have created an environment to simulate various operating conditions and validate the solutions we build. We have an applied research group which focuses on creating IP in the areas of competition, communication, networking and information processing algorithms. In addition to presenting papers at international conferences and publishing in referenced journals, this group has over 16 United States patent applications in various stages of registration. In fiscal 2007 and 2006, we spent 0.03% and 0.05% of our total revenues on R&D activities.

ITEM 4A. UNRESOLVED STAFF COMMENTS

As of the date of filing of this Annual Report, we do not have any unresolved written comments from the Commission staff regarding our periodic reports under the Exchange Act.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of the financial condition and results of operations of our company should be read in conjunction with the financial statements and the related notes included elsewhere in this document. This discussion contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please see “Item 3. Key Information—Risk Factors”

Overview

We are a global IT solutions provider, offering a comprehensive range of IT services to our customers, including application development and maintenance services, consulting and enterprise business solutions extended engineering solutions, infrastructure management services. We also offer BPO services through our majority-owned subsidiary, Nipuna. We are the fourth largest Indian IT software and services company, based on the amount of export revenues generated during our fiscal year ended March 31, 2006. Our total revenues for fiscal 2007 were $1,461.4 million and over the past three fiscal years our revenues have grown at a compound annual growth rate of 37.2%.

On May 12, 2005, we acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm that has focused on the investment management industry since 1986. Citisoft is a UK-based firm, with operating presences in London, Boston and New York. On June 29, 2006, we exercised the call option and acquired the remaining 25% equity interest in Citisoft, making Citisoft our wholly-owned subsidiary from that date. The operating results of Citisoft are evaluated by the management under IT services segment.

In May 2005, we completed a sponsored ADS offering of 15,000,000 ADSs representing 30,000,000 equity shares including the green-shoe option. The offering was priced at $21.5 per ADS. The net proceeds after expenses of the offering were returned to all the selling shareholders. We did not receive any proceeds of the offering.

On October 1, 2005, we acquired 100% of the shares of Knowledge Dynamics, a leading data warehousing and business intelligence solutions provider. The operating results of Knowledge dynamics are evaluated by the management under IT service segment.

On November 7, 2005, we offered to sell an aggregate of 11,182,600 equity shares, representing our entire investment of 31.6% of the outstanding equity shares of Sify. The sale transaction was consummated on November 9, 2005 at a sale price of $5.60 per equity share aggregating to $62.3 million.

On August 21, 2006, the shareholders of Satyam Computer Services approved a two-for-one stock split (in the form of stock dividend) which was effective on October 10, 2006. Consequently, Satyam capitalized an amount of $17.7 million from its retained earnings to common stock. All references to number of shares, per share amounts, stock option data, and market prices of Satyam Computer Services’ equity shares have been retroactively restated to reflect the stock split unless otherwise noted.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement (“SPRA Agreement”) was entered into between

Satyam, the investors and Nipuna. Out of the total preference shares, 50% of the preference shares ($ 10 million) would be redeemed for $ 13.6 million at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. Since 50% of the preference shares are mandatorily redeemable, Satyam has reclassified 50% of the preference shares as a current liability measured at fair value and accrued redemption premium amounting to $3.6 million up to March 31, 2007.

The investors gave Nipuna a notice of conversion of preference shares and in January 2007 preference shares amounting to $10 million have been converted into 6,422,267 equity shares of Nipuna. Due to the issue of shares by Nipuna, Satyam Computer Services' ownership interest in Nipuna was reduced from 100.0% as at March 31, 2006 to 74.0% as at March 31, 2007. The shares issued to the investors are at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of US$7.9 million, net of taxes during the year ended March 31, 2007 has been recorded as an increase in additional paid in capital. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam's consolidated statement of income.

During 2007, we have also established the following schemes "Associate Stock Option Plan - Restricted Stock Units (ASOP – RSUs)" and "Associate Stock Option Plan — RSUs (ADS)". See "Item 6. Directors, Senior Management and Employees — Employee Benefit Plans" — for more information.

We believe customers are increasingly demanding full-service IT providers that have expertise in both existing systems and new technologies, access to a large pool of highly-skilled technical personnel and the ability to service customers globally at competitive rates. To meet these requirements, we offer our customers an integrated global delivery model, which we refer to as the "Right Sourcing Model," to provide flexible delivery alternatives to our customers through our offshore centers located in India, offsite centers which we have established in our major markets, nearshore centers located geographically near our customers' premises and through our onsite teams operating at our customers' premises. In addition, we use the expertise resident in our focused industry groups to provide specialized services and solutions to our customers in the manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation industries.

Our revenues and profitability have grown significantly in recent years. Our total revenues increased by 33.3% to $1,461.4 million in fiscal 2007 as compared to $1,096.3 million in fiscal 2006. Our net income increased by 19.6% to $298.4 million in fiscal 2007 from $249.4 million in fiscal 2006. Our total revenues increased by 38.1% to $1,096.3 million in fiscal 2006 as compared to $793.6 million in fiscal 2005. Our net income increased by 62.2% to $249.4 million in fiscal 2006 from $153.8 million in fiscal 2005. Our revenue and profitability growth is attributable to a number of factors related to the expansion of our business, including increase in the volume of projects completed for our widening customer base, increase in our associate numbers, increased growth in our consulting and enterprise business solutions business and a strengthening of our customer base in United States and Europe. Our growth has continued despite increasing pressure for higher wages for our associates coupled with pressure for lower prices for our customers. In fiscal 2007, fiscal 2006 and fiscal 2005, our five largest customers accounted for 23.3%, 24.2% and 29.2% respectively, of our total revenues. As of March 31, 2007, we had 39,018 employees (including employees of our subsidiaries), whom we refer to as associates, worldwide as compared to 28,624 associates as of March 31, 2006. With our continuing geographical expansion we now have offshore facilities in India and overseas facilities located in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States. We also have sales and marketing offices located in Brazil, Canada, Germany, Italy, the Netherlands, Saudi Arabia, Spain, Sweden, United Kingdom and United States and sales and marketing offices in the rest of the world.

Satyam has adopted SFAS 131; *"Disclosures about Segments of an Enterprise and Related Information"* which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on stand-alone revenues and net income for the companies in Satyam. The executive management evaluates Satyam's operating segments based on the following two business groups:

- ***IT services:*** We provide a comprehensive range of IT services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions, and infrastructure management services. We seek to be the single service provider capable of servicing all of our customers' IT requirements. Our consulting and enterprise business solutions includes services in the area of enterprise resource planning, customer relationship management and supply chain management, data warehousing and business intelligence, knowledge management, document management and enterprise application integration. We also assist our customers in making their existing computing systems accessible over the Internet. The segment information includes the results of Citisoft and Knowledge Dynamics Pte Ltd, Singapore, or Knowledge Dynamics which were acquired during 2005.

- ***BPO:*** We provide outsourced BPO services in areas such as human resources, finance and accounting, customer care (such as voice, email and chat) besides also providing industry-specific transaction processing services. We target our BPO services at the insurance, healthcare, banking and financial services, transportation, tourism, manufacturing, automotive, telecommunications, media, utilities and retail industries. Revenues from this business segment currently do not constitute a significant proportion of our total revenues; however, we anticipate that this proportion will increase over time. Our BPO services are offered through our majority-owned subsidiary, Nipuna. As part of the investor rights and securities subscription agreements which we have entered into with Nipuna's two other investors, we have agreed not to compete with Nipuna. Pursuant to these agreements, we and our affiliates are restricted from engaging in activities that are or could directly or indirectly be competitive with the business of Nipuna. Such activities include among others providing BPO, soliciting existing or prospective customers of Nipuna to obtain the services offered by Nipuna from other service providers and investing in companies engaged in the same or similar business as Nipuna. These non-compete restrictions apply until the investors redeem all of their preference shares in Nipuna or their equity interest in Nipuna up to 5%.

Revenues

We generate revenues through fees for professional services rendered in our two segments, namely, IT services and BPO services.

The following table sets forth the total revenues (excluding inter-segment revenues) for our business segments for fiscal 2007, 2006 and 2005:

	Year ended March 31,					
	2007		2006		2005	
Segment	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
			(in millions, except percentages)			
IT services	$1,432.5	98.0%	$1,082.7	98.8%	$ 786.7	99.1%
BPO	28.9	2.0	13.6	1.2%	6.9	0.9
Total	$1,461.4	100.0%	$1,096.3	100.0%	$ 793.6	100.0%

We discuss below the components of our IT services revenues by technology type, contract type, offshore or onshore designation, top customers and customer geography:

Revenues by technology

The vast majority of our revenues are generated from our various IT service offerings. The following table presents our IT services revenues (excluding inter-segment revenues) by type of service offering for the periods indicated:

	Year ended March 31,					
	2007		2006		2005	
Technology type	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
			(in millions, except percentages)			
Application development and maintenance services	$ 675.2	47.1	$ 541.4	50.0%	$ 429.5	54.6
Consulting and enterprise business solutions	599.8	41.9	429.5	39.7	269.7	34.3
Extended engineering solutions	93.5	6.5	70.2	6.5	55.2	7.0
Infrastructure management services	64.0	4.5	41.6	3.8	32.3	4.1
Total	$1,432.5	100.0%	$1,082.7	100.0%	$ 786.7	100.0%

Revenues by contract type

Our IT services are provided on a time-and-material basis or on a fixed-price basis. Revenues from IT services provided on a time-and-material basis are recognized in the period that the services are performed. Revenues from IT services provided on a fixed-price basis are recognized under the percentage of completion method of accounting and are recorded when we can reasonably estimate the time period to complete the work. The percentage of completion estimates are subject to periodic revisions and the cumulative impact of any revision in the estimates of the percentage of completion is reflected in the period in which the changes become known to us. Although we have revised our project completion estimates from time to time, such revisions have not materially affected our reported revenues to date. In recent years, we have experienced some pricing pressure from our customers, which has had a negative impact on margins. In response to current market trends, we are considering the viability of introducing performance-based or variable-pricing contracts. In the near term, we expect that revenue from fixed-price contracts will continue to increase as current market trends indicate a customer preference towards fixed-price contracts.

The following table presents our IT services revenues (excluding inter-segment revenues) by type of contract for the periods indicated:

	Year ended March 31,					
	2007		2006		2005	
Contract type	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
			(in millions, except percentages)			
Time-and-material basis	$ 873.2	61.0%	$ 702.8	64.9%	$ 517.3	65.8%
Fixed-price basis	559.3	39.0	379.9	35.1	269.4	34.2
Total	$1,432.5	100.0%	$1,082.7	100.0%	$ 786.7	100.0%

Revenues based on offshore and onsite/offsite

We provide our IT services through a combination of (i) offshore centers located throughout India, (ii) teams working onsite at a customer's location, (iii) nearshore centers located in Canada, China and Hungary to service U.S.-based, Asia Pacific based and Europe based customers, respectively, and (iv) 29 offsite centers in locations in Australia, Brazil, Canada, China, Germany, Hungary, Japan, Korea, Malaysia, Singapore, South Africa, Thailand, United Arab Emirates, the United Kingdom and United States.. Offshore IT services revenues consist of revenues earned both from IT services work conducted at our offshore centers in India as well as onsite work conducted at customers' premises which is related to offshore work. Offshore IT services revenues do not include revenues from our offsite or nearshore centers located outside of India or revenues from onsite work which is not related to any offshore work. These later revenues are included in onsite/offsite revenues.

We generally charge higher rates and incur higher compensation expenses for work performed by our onsite teams at our customer's premises or at our offsite and nearshore centers, as compared to work performed at our offshore centers in India. Services performed by our onsite teams or at our offsite centers typically generate higher revenues per capita, but at a lower gross margin, than the same amount of services performed at our offshore centers in India.

The following table presents our IT services revenues (excluding inter-segment revenues) based on the location where services are performed for the periods indicated:

	Year ended March 31,					
	2007		2006		2005	
Location	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
			(in millions, except percentages)			
Offshore	$ 704.1	49.2%	$ 496.0	45.8%	$ 327.1	41.6%
Onsite/Offsite	728.4	50.8	586.7	54.2	459.6	58.4
Total	$1,432.5	100.0%	$1,082.7	100.0%	$ 786.7	100.0%

Revenues by top customers

Our top two customers accounted for 11.0% of our IT services' revenues in fiscal 2007, as compared to 14.1% and 18.3% of IT services' revenues in fiscal 2006 and 2005 respectively. Our top five customers accounted for 21.5% of IT services' revenues in fiscal

2007, as compared to 24.5% and 29.5% of IT services' revenues in fiscal 2005, respectively.

Revenues based on customer location

We have experienced increasing volumes of business from customers located in United States and Europe, attributable to both new customers and additional business from existing customers. We expect that most of our revenues will be generated in United States followed by Europe in fiscal 2007. The following table gives the composition of our IT services revenues (excluding inter-segment revenues) based on the location of our customers for the periods indicated:

	Year ended March 31,					
	2007		2006		2005	
Geographic location	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in millions, except percentages)					
United States	$ 908.7	63.4%	$ 699.0	64.6%	$ 538.2	68.4%
Europe	274.7	19.2	204.8	18.9	130.7	16.6
Japan	20.8	1.5	15.5	1.4	13.9	1.8
India	63.4	4.4	45.2	4.2	25.5	3.2
Rest of the world	164.9	11.5	118.2	10.9	78.4	10.0
Total	$1,432.5	100.0%	$1,082.7	100.0%	$ 786.7	100.0%

Expenses

Cost of revenues

Our cost of revenues consists primarily of the compensation cost of technical staff, depreciation on dedicated assets and system and application software costs, amortization of intangibles, travel costs, data communication expenses and other expenses incurred that are related to the generation of revenue.

The principal component of our cost of revenues is the wage cost of our technical associates. Wage cost in India, including in the IT services industry, have historically been significantly lower than wage cost in the United States and Europe for comparably skilled professionals. However, as wages in India increase at a faster rate than in the United States, we may experience increase in our costs of personnel, particularly project managers and other mid-level professionals.

The utilization levels of our technical associates also affect our revenue and gross profits. We calculate utilization levels on a monthly basis, based on the ratio of the actual number of hours billed by technical associates in such month to the total number of billable hours. For purposes of such calculation, we assume that an associate is 100.0% utilized if he or she works 157 hours per month. We manage utilization by monitoring project requirements and timetables. The number of associates assigned to a project will vary according to size, complexity, duration, and demands of the project. Associate utilization levels for IT services were 83.8%, 85.0% and 82.1% in fiscal 2007, 2006 and 2005 respectively.

Selling, general and administrative expenses

Selling, general and administrative expenses generally include the compensation costs of sales, management and administrative personnel, travel costs, advertising, business promotion, depreciation on assets, rent, repairs, electricity and other general expenses not attributable to cost of revenues.

Subsidiaries

As of March 31, 2007, we have four wholly-owned subsidiaries, Satyam Technologies Inc., or STI, Satyam Computer Services (Shanghai) Company Limited, or Satyam Shanghai, Citisoft and Knowledge Dynamics as well as one majority owned subsidiary, Nipuna. These five subsidiaries have been consolidated in our consolidated financial statements for the year ended March 31, 2007.

Citisoft

On May 12, 2005, Satyam Computer Services acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry since 1986. The results of Citisoft's operations have been consolidated by Satyam Computer Services from the consummation date of May 12, 2005. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for the 75% equity interest in Citisoft amounted to $17.4 million comprising of an initial consideration of $14.3 million (including direct acquisition costs of $0.9 million) and deferred consideration (non-contingent) of $3.1 million. Deferred consideration for the acquisition of the 75% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2006 this has been paid subsequently in June 2006. Satyam Computer Services is also required to pay a maximum earn out consideration amounting to $3.9 million in May 2007 based on achievement of targeted revenues and profits for the year ended April 30, 2007. The earn-out consideration will be accounted for as additional purchase consideration when the contingency is resolved.

Satyam Computer Services had a call option and the minority shareholders had a put option to acquire / sell the balance 25% equity shares in two tranches 12.5% on April 30, 2007 and 12.5% on April 30, 2008. The consideration payable for the first tranche of 12.5% equity shares on April 30, 2007 would amount to $2.8 million and a maximum earn-out consideration amounting to $2.7 million based on achievement of targeted revenues and profits. The consideration payable for the second tranche of 12.5% equity shares on April 30, 2008 would amount to $2.9 million and a maximum earn-out consideration amounting to $4.2 million based on achievement of targeted revenues and profits. Satyam Computer Services recorded the put option at fair value at each balance sheet date, with the initial fair value of the put option included as part of the consideration for its 75.0% interest in Citisoft. The difference between the fair values at each valuation date was charged to selling, general and administration expenses in statement of income. On the basis of an independent valuation, the value of put option was $ Nil and $1.1 million as of May 12, 2005 and March 31, 2006 respectively.

On June 29, 2006, Satyam Computer Services exercised the call option and acquired the remaining 25% equity interest for a deferred consideration of $5.9 million payable on April 30, 2007 and a maximum earn-out consideration of $2.7 million and $4.2 million payable in May 2007 and 2008 respectively based on achievement of targeted revenues and profits for the years ended April 30, 2007 and 2008. As a result Satyam reversed the put option liability during the year ended March 31, 2007. The acquisition was accounted for as a step purchase of the 25% equity interest, the deferred consideration for the acquisition of the 25% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2007. The earn-out consideration will be accounted for as additional purchase consideration when the contingency is resolved.

Table of Contents

Satyam Computer Services is also required to fund an Employee Benefit Trust (“EBT”) formed by Citisoft for the purpose of providing additional incentive to employees to contribute to the success of Citisoft. Satyam is required to fund a maximum of $3.4 million and $1.7 million on April 30, 2007 and 2008 respectively, based on achievement of targeted revenues and profits. Satyam Computer Services has recognized $1.7 million and $1.4 million in the consolidated statement of income as part of cost of revenues in respect of the EBT contribution for the years ended March 31, 2007 and 2006 respectively. The unpaid EBT contribution (disclosed as a current liability) amounted to $1.6 million and $1.4 million as of March 31, 2007 and 2006 respectively

The purchase consideration for acquisition of interest has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management’s estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

				$ in millions
		Acquisition of 75% interest		**Acquisition of 25% interest**
Purchase price	**$**	**17.4**	**$**	**5.9**
Net current assets	$	2.2		0.7
Tangible assets		0.3		0.1
Customer Contracts related intangibles		0.8		0.3
Customer relationship related intangibles		5.4		0.7
Trade name		0.7		0.1
Goodwill		10.3		4.4
Deferred tax liability		(2.3)		(0.4)
Total	**$**	**17.4**	**$**	**5.9**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

Knowledge Dynamics

On July 21 2005, Satyam Computer Services announced its intention to acquire 100% of the shares of Knowledge Dynamics, a leading Data Warehousing and Business Intelligence Solutions provider. The transaction was consummated on October 1, 2005, the date of transfer of shares to Satyam Computer Services and Satyam Computer Services has consolidated Knowledge Dynamics, from October 1, 2005. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for this acquisition amounted to $3.3 million comprising of initial consideration of $1.8 million (including direct acquisition costs of $11 thousand) and deferred consideration (non-contingent) of $1.5 million. The total deferred consideration for the acquisition of $1.5 million has been accounted for as part of the purchase consideration out of which $0.8 million has been paid during the year ended March 31, 2007 and $0.7 million as current liability in the balance sheet. Satyam Computer Services is also required to pay a maximum earn out consideration amounting to $1.1 million and $1.1 million on April 30, 2007 and 2008 respectively based on the achievement of targeted revenues and profits from the date of acquisition upto April 30, 2007 and 2008 respectively. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

	$ in millions
Purchase price	$ 3.3
Allocated to:	
Net current assets	$ 0.5
Customer Contracts and Related Relationships	1.0
Trade name	0.1
Goodwill	2.1
Deferred tax liability	(0.4)
Total	**$ 3.3**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

Associate — Sify

On November 7, 2005, we offered to sell an aggregate of 11,182,600 equity shares, representing our entire investment of 31.6% of the outstanding equity shares of Sify Limited., or Sify. The sale transaction was consummated on November 9, 2005 at a sale price of $5.60 per equity share aggregating to $62.3 million.

We accounted for our share of equity in earnings/(losses) of Sify under the equity method of accounting up to November 9, 2005. The excess of sale proceeds (net of transaction costs) over the carrying value of investment in Sify as on the date of sale amounting to $43.6 million has been recognized as gain in the statement of income during year ended March 31, 2006.

Preferred Stock of Subsidiary

Nipuna issued 45,669,999 and 45,340,000 0.05% convertible redeemable cumulative preference shares of par value Rs 10 ($0.23) per share in October 2003 and June 2004 respectively to the investors at an issue price of Rs.10 ($0.23) per share, in exchange for an aggregate consideration of $20 million.

As per the agreement, these preference shares were mandatorily convertible into equity shares of Nipuna no later than June 2006, if Nipuna achieved certain targets for revenues and profits earned up to March 31, 2006. If these targeted revenues and profits were not achieved by Nipuna along with other triggering events, the investors had an option to either redeem these preference shares or convert them. Although certain triggering events for early redemption as per the agreement occurred during the period January 2004 to December 2004 the investors waived the right of early redemption. Further Nipuna has not achieved the targeted revenues and profits upto March 2006.

If not converted, early converted or redeemed, these convertible preference shares were redeemable on maturity in June 2007 at a redemption premium, which could range between 7.5% to 13.5% p.a. The Investors are entitled to receive dividends at the rate of 0.05% per cent per annum, on the face value of Rs. 10 ($0.23) from the date of issuance of such Preference Shares. The dividends are cumulative and payable in cash at the rate indicated above, whether or not they have been declared and whether or not there are profits, surplus or other funds of Nipuna legally available for the payment of dividends. These preference shares rank senior to all classes of Nipuna's currently existing capital stock or established subsequently with respect to dividend distributions and repayment of capital and premium upon a Bankruptcy Event or Change in Control with respect to Nipuna, unless the terms and conditions of such class expressly provide that such class will rank senior to or on parity with the convertible redeemable cumulative preference shares. The dividend on the preference shares for the year ended March 31, 2007 is payable.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement ("SPRA Agreement") was entered into between Satyam, the Investors and Nipuna. Out of the total preference shares, 50% of the preference shares ($ 10 million) would be redeemed for $13.6 million at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. Since 50% of the Preference Shares are mandatorily redeemable, Satyam has reclassified 50% of the preference shares as a current liability measured at fair value and accrued redemption premium amounting to $3.6 million up to March 31, 2007.

Further as per the SPRA Agreement, Satyam agrees to purchase and the Investors agree to sell these equity shares at an aggregate purchase price based on a formula. If the share purchase closing occurs on or before the share purchase target date (May 21, 2007) then the purchase price would range from a minimum of $35 million to maximum of $45 million, however if an acceleration event occurs the purchase price would equal $45 million. If the share purchase closing occurs after the share purchase target date then the purchase price shall not be less than $35 million however if an acceleration event occurs the purchase price shall not be less than $45 million. This is subject to fulfillment of terms and conditions specified in the agreement and obtaining necessary approvals from appropriate authorities. As of March 31, 2007 an acceleration event has occurred.

The forward contract is freestanding and has been accounted for under SFAS 150 and hence the issuance of Nipuna's equity shares has been considered as a minority interest. The Investors gave Nipuna a Notice of Conversion of Preference Shares and in January 2007 preference shares amounting to $10 million have been converted into 6,422,267 equity shares of Nipuna. Due to the issue of shares by Nipuna Satyam Computer Services' ownership interest in Nipuna was reduced from 100.0% as at March 31, 2006 to 74.0% as at March 31, 2007. The shares issued to the Investors are at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of $7.9 million, net of taxes during the year ended March 31, 2007 has been recorded as an increase in additional paid in capital. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam's consolidated statement of income. The Investors holding in Nipuna has been accounted for as a minority interest.

The forward contract has a zero fair vale at inception and at balance sheet date since as per regulatory requirements the transaction can take place only at fair value. Upon settlement of the forward the acquisition of the minority interest would be reflected as a step acquisition with a corresponding reduction in minority interest.

Income Taxes

The statutory corporate income tax rate in India is currently 30.0%. This tax rate is presently subject to a 10.0% surcharge. The amount of tax and surcharge payable is further subject to a 2.0% education cess, resulting in an effective tax rate of 33.66%. The provision for foreign taxes is due to income taxes payable in overseas tax jurisdictions by our offsite, nearshore and onsite centers, principally in the United States. We benefit from tax incentives provided to software entities as an exemption from payment of Indian corporate income taxes until the earlier of fiscal 2009 or 10 consecutive years of operations of software development facilities designated as "Software Technology Parks," or STP units. The benefits of this tax incentive have historically resulted in our effective tax rate being well below statutory rates. The exemption for one of our STP unit in Bangalore and one in Hyderabad, Chennai, Pune and Bhubaneswar expired at the beginning of fiscal 2006 and fiscal 2007 respectively and the exemption for balance of our STP units will expire in fiscal 2008 and fiscal 2009. We also earn certain other foreign income and domestic income, which are taxable irrespective of the tax holiday as stated above.

Our subsidiaries are subject to income taxes of the countries in which they operate. Our subsidiaries' operating loss carried forward for tax purposes amounted to approximately $39.8 million as of March 31, 2007, which is available as an offset against future taxable income of such entities. These carried forward amounts expire at various dates primarily over eight to twenty years. Realization is dependent on such subsidiaries generating sufficient taxable income prior to expiration of the loss carried forward. A valuation allowance is established attributable to deferred tax assets and losses carried forward in subsidiaries where, based on available evidence, it is more likely than not that they will not be realized. Currently, a full valuation allowance has been made for such losses since we believe that our subsidiaries will not generate sufficient taxable income prior to expiration of carry forwards and under Indian regulations we are not allowed to file a consolidated tax return.

Results of Operations

The following table sets forth operating data in dollars and as a percentage of revenues for the years indicated:

	Year ended March 31,					
	2007		2006		2005	
Statement of Operations data:	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
			(in millions, except percentages)			
Revenues:						
IT services	$1,433.2	98.1%	$1,083.5	98.8%	$ 787.4	99.2%
BPO	38.0	2.6	19.9	1.8	10.0	1.3
Inter-segment	(9.8)	(0.7)	(7.1)	(0.6)	(3.8)	(0.5)
Total revenues	1,461.4	100.0	1,096.3	100.0	793.6	100.0
Cost of revenues: (1)						
IT services	(920.0)	(63.0)	(678.1)	(61.9)	(502.2)	(63.3)
BPO	(26.9)	(1.8)	(17.6)	(1.6)	(7.9)	(1.0)
Inter-segment	9.3	0.6	6.7	0.6	3.3	0.4
Total cost of revenues	(937.6)	(64.2)	(689.0)	(62.8)	(506.8)	(63.9)
Gross profit:						
IT services	513.2	35.1	405.4	37.0	285.2	35.9
BPO	11.1	0.8	2.3	0.2	2.1	0.3
Inter-segment	(0.5)	(0.0)	(0.4)	(0.0)	(0.5)	(0.1)
Total gross profit	523.8	35.8	407.3	37.2	286.8	36.1
Operating expenses:						
Selling, general and administrative expenses: (2)						
IT services	(219.0)	(15.0)	(176.8)	(16.1)	(113.4)	(14.3)
BPO	(13.7)	(0.9)	(11.2)	(1.0)	(11.4)	(1.4)
Inter-segment	0.5	0.0	0.4	0.0	0.5	0.1
Total selling, general and administrative expenses	(232.2)	(15.9)	(187.6)	(17.1)	(124.3)	(15.7)
Operating income/(loss):						
IT services	294.2	20.1	228.6	20.9	171.8	21.7
BPO	(2.6)	(0.2)	(8.9)	(0.8)	(9.3)	(1.2)
Inter-segment	—	—	—	—	—	—
Total operating income/(loss)	291.6	20.0	219.7	20.0	162.5	20.5
Interest income	37.3	2.6	26.3	2.4	22.3	2.8
Interest expense	(3.6)	(0.2)	(1.3)	(0.1)	(0.5)	(0.1)
Gain on sale of shares in associated companies/ others	—	—	43.6	4.0	—	0.0
Gain/ (loss) on foreign exchange transactions	(3.3)	(0.2)	0.3	0.0	(4.6)	(0.6)
Other income/(expense), net	6.2	0.4	(0.8)	(0.1)	0.4	0.0
Income before income taxes and equity in earnings/(losses) of associated companies	328.2	22.5	287.8	26.3	180.2	22.7
Income taxes	(30.6)	(2.1)	(37.7)	(3.4)	(25.3)	(3.2)
Minority interest	—	—	0.1	0.0	—	—
Equity in earnings/(losses) of associated companies, net of taxes	0.8	0.1	(0.8)	(0.1)	(1.1)	(0.1)
Net income	$ 298.4	20.4	$ 249.4	22.7	$ 153.8	19.4
Depreciation	32.4	2.2	30.6	2.8	25.0	3.2
Stock-based compensation	15.7	1.1	0.8	0.1	1.9	0.2

(1) Inclusive of stock-based compensation expenses of $12.8 million, $Nil and $0.8 million for the years ended March 31, 2007, 2006 and 2005 respectively in the IT services segments.

(2) Inclusive of stock-based compensation expenses of $2.9 million, $0.8 million and $1.1 million for the years ended March 31, 2007, 2006 and 2005 respectively, in the IT services segments.

Comparison of results for fiscal 2007 and fiscal 2006.

Revenues. Our revenues increased by 33.3% to $1,461.4 million in fiscal 2007 from $1,096.3 million in fiscal 2006. This revenue growth of $365.1 million in fiscal 2007 was primarily the result of an increase in business both from existing customers and new customers. Revenues from existing customers increased by 27.6% to $1,267.3 million in fiscal 2007 from $993.0 million in fiscal 2006. Revenues from new customers increased by 87.9% to $194.1 million in fiscal 2007 from $103.3 million in fiscal 2006. We added 138 and 120 customers including 7 and 12 from the Fortune Global 500 and Fortune U.S. 500 list in fiscal 2007 and 2006, respectively.

During fiscal 2007, revenues (IT services excluding inter-segment revenues) from consulting and enterprise business solutions increased by $170.5 million, revenues from application development and maintenance increased by $133.7 million, followed by extended engineering solutions and infrastructure management services, increased by $23.3 million and $22.3 million respectively. In terms of percentage growth in fiscal 2007 over fiscal 2006, revenues from consulting and enterprise solutions has grown by 39.7%, application development and maintenance services has grown by 24.7%, extended engineering solutions and infrastructure management services have grown by 33.2% and 53.6%, respectively.

Revenues from IT services (excluding inter-segment revenues) provided on a time-and-materials basis decreased to 61.0% in fiscal 2007 from 64.9% in fiscal 2006. Revenues from IT services provided on a fixed-price basis increased to 39.0% in fiscal 2007 from 35.1% in fiscal 2006. The increase in fiscal 2007 for fixed-price contracts is primarily due to the shift in customer preference regarding type of contracts from time-and-material to fixed-price.

The onsite revenues increased as a result of new engagements in consulting and enterprise business solutions in fiscal 2007, and the need for extensive interactions with customers in the early stages of new engagements to understand their business needs and create the relevant processes before we move the appropriate portion of the work offshore.

Of the total increase of $365.1 million in total revenues in fiscal 2007, $212.9 million is due to increased business in United States, $70.2 million in Europe, $46.6 million in rest of the world, $30.1 million in India and $5.3 million in Japan. Our increased business in United States and Europe was due to new customers and additional business from existing customers.

Cost of Revenues. Cost of revenues increased by 36.1% to $937.6 million in fiscal 2007 from $689.0 million in fiscal 2006. Cost of revenues represented 64.2% of revenues in fiscal 2007 and 62.8% in fiscal 2006. This increase by $248.6 million was attributable primarily to increases in associate compensation and benefits expenses, traveling expenses, communication expenses, depreciation and other expenses, attributable largely to an overall increase in our business during this period. Associate compensation and benefits expenses increased by 33.2% to $725.2 million, or 49.6% of revenues, in fiscal 2007 from $544.4 million, or 49.7% of revenues, in fiscal 2006. The increase in the associate compensation and benefits is due to: (i) revision of salaries on July 1, 2006 to the associates (ii) increase in the total number of technical associates by 10,286 to 36,997 as of March 31, 2007 from 26,711 as of March 31, 2006. (iii) increase in number of onsite technical associates by 1,959 to 7,286 as of March 31, 2007 from 5,327 as of March 31, 2006, for which we pay a higher compensation and (iv) salary incentives amounting to $22.9 million given to technical associates in fiscal 2007 as compared to $20.9 million in fiscal 2006. Traveling expenses increased by 73.7% to $82.7 million, or 5.7% of revenues, in fiscal 2007 from $47.6 million or 4.3% of revenues, in fiscal 2006. This increase was primarily due to increase in the number of travels resulting from increase in the number of technical associates. Communication expenses increased by 5.8% to $15.6 million or 1.1% of revenues in fiscal 2007 from $14.7 million, or 1.3% of revenues in fiscal 2006. This increase was primarily due to increase in number of locations of operations, both in India and abroad. Stock-based compensation expenses increased to $12.8 million, or 0.9% of revenues, in fiscal 2007 from $8 thousand in fiscal 2006 due to adoption of SFAS 123R effective from April 1, 2006. Depreciation expense increased by 10.0% to $28.7 million, or 2.0% of revenues, in fiscal 2007 from $26.1 million, or 2.4% of revenues in fiscal 2006. Other expenses comprised mainly of rent, power and fuel and maintenance expenses. Other expenses increased by 29.5% to $72.8 million, or 5.0% of revenues, in fiscal 2007 from $56.2 million, or 5.1% of revenues in fiscal 2006.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by 23.7% to $232.2 million in fiscal 2007 from $187.6 million in fiscal 2006. Selling, general and administrative expenses represented 15.9% of revenues in fiscal 2007 and 17.1% of revenues in fiscal 2006. This increase of $44.6 million in fiscal 2007 was a result primarily of increase in associate compensation and benefits for non-technical associates, communication expenses, and traveling expenses. Associate compensation and benefits increased by 27.7% to $128.8 million, or 8.8% of revenues, in fiscal 2007 as compared to $100.9 million or 9.2% of revenues in fiscal 2006 primarily on account of (i) revision of salaries on July 1, 2006 to the associates and (ii) increase in number of non-technical associates by 108 to 2,021 as of March 31, 2007 from 1,913 as of March 31, 2006. Traveling expenses increased by 36.4% to $25.5 million or 1.7% of revenues in fiscal 2007 from $18.7 million or 1.7% of revenues in fiscal 2006. Professional charges increased by 11.7% to $13.4 million or 0.9% of revenues in fiscal 2007 from $12.0 million or 1.1% of revenues in fiscal 2006. Communication expenses increased by 9.5% to $6.9 million or 0.5% of revenues in fiscal 2007 as compared to $6.3 million or 0.6% of revenues in fiscal 2006. Stock-based compensation expenses increased to $2.9 million, or 0.2% of revenues, in fiscal 2007 from $0.8 million, or 0.1% of revenues in fiscal 2006 due to adoption of SFAS 123R effective from April 1, 2006 Other expenses comprised primarily of power and fuel, rent, marketing, repairs and maintenance and advertisement expenses. Other expenses increased by 11.9% to $54.5 million or 3.7% of revenues in fiscal 2007 from $48.7 million, or 4.4% of revenues in fiscal 2006.

Operating income. Our operating income was $291.6 million in fiscal 2007, representing an increase of 32.7% over the operating income of $219.7 million in fiscal 2006. As a percentage of revenues, operating income was 20.0% in fiscal 2007, as compared to 20.0% of revenues in fiscal 2006.

Interest income. Interest income increased by 41.8% to $37.3 million in fiscal 2007 from $26.3 in fiscal 2006. The increase is primarily due to additional bank deposits made in fiscal 2007 amounting to $745.6 million.

Gain on sale of investments. Gain on sale of investments was $Nil in fiscal 2007 as compared to $43.6 million in fiscal 2006. The gain of $43.6 million in fiscal 2006 was on account of the gain on sale of 11,182,600 equity shares representing its entire 31.61% investment in Sify.

Gain/(loss) on foreign exchange transactions. Our revenues generated in U.S. dollars were 74.7% and 77.6% of total revenues in fiscal 2007 and 2006, respectively. The average exchange rate of Indian rupee to U.S. dollar in fiscal 2007 was Rs. 45.11 against Rs. 44.18 in fiscal 2006. As at March 31, 2007, the Indian rupee appreciated to Rs. 43.10 against Rs. 44.48 at March 31, 2006. As at March 31, 2006, the Indian rupee depreciated to Rs. 44.48 against 43.62 at March 31, 2005. As a result of these fluctuations in exchange rates during fiscal 2007 and fiscal 2006, loss on foreign exchange transactions was $3.3 million in fiscal 2007 as compared to a gain of $0.3 million in fiscal 2006.

Other income/(expenses), net. Other income/ (expenses), net were $6.2 million in fiscal 2007, as compared to other income /(expenses), net were $(0.8) million in fiscal 2006. The increase in the other income is primarily on account of gain on forward and options contracts due to rupee appreciation to Rs 43.10 as on March 31, 2007 from Rs 44.48 as on March 31, 2006.

Income taxes. Income taxes were $30.6 million in fiscal 2007, representing a decrease of 18.8% from $37.7 million in fiscal 2006. The decrease in income taxes is primarily on account of income taxes on sale of shares in Sify amounting to $7.7 million in fiscal 2006. The expiry of tax exemption benefit for three of our STP units resulted in increase in income taxes by $10.3 million in fiscal 2007 as compared to the expiry of tax exemption benefit for two of our STP units resulted in increase in income taxes by $2.8 million in fiscal 2006, which is offset by decrease in income of foreign branches primarily on account of rupee appreciation.

Equity in earnings/(losses) of associated companies, net of taxes. Equity in earnings/(losses) of associated companies was $0.8 million in fiscal 2007 as compared to $(0.8) million in fiscal 2006. Equity in earnings/(losses) of Satyam Venture Engineering Services Private Limited, or Satyam Venture, CA Satyam ASP Private Limited, or CA Satyam and Sify amounted to $0.6 million, $0.2 million and Nil, respectively, in fiscal 2007 as compared to $0.5 million, $(15) thousand and $(1.3) million, respectively, in fiscal 2006.

Net income. As a result of the foregoing, our net income was $298.4 million in fiscal 2007, representing an increase of 19.6% over net income of $249.4 million in fiscal 2006. As a percentage of total revenues, net income decreased to 20.4% in fiscal 2007 from 22.7% in fiscal 2006.

Comparison of results for fiscal 2006 and fiscal 2005.

Revenues. Our revenues increased by 38.1% to $1,096.3 million in fiscal 2006 from $793.6 million in fiscal 2005. This revenue growth of $302.7 million in fiscal 2006 was primarily the result of an increase in business both from existing customers and new customers. Revenues from existing customers increased by 35.8% to $993.0 million in fiscal 2006 from $731.2 million in fiscal 2005.

Revenues from new customers increased by 65.9% to $103.5 million in fiscal 2006 from $62.4 million in fiscal 2005. We added 120 and 108 customers including 12 and 17 from the Fortune Global 500 and Fortune U.S. 500 list in fiscal 2006 and 2005, respectively.

During fiscal 2006, revenues (IT services excluding inter-segment revenues) from consulting and enterprise business solutions increased by $159.8 million, revenues from application development and maintenance increased by $111.9 million, followed by extended engineering solutions and infrastructure management services, increased by $15.0 million and $9.3 million respectively. In terms of percentage growth in fiscal 2006 over fiscal 2005, revenues from consulting and enterprise solutions has grown by 59.3%, application development and maintenance services has grown by 26.1%, extended engineering solutions and infrastructure management services have grown by 27.2% and 28.8% respectively.

Revenues from IT services (excluding inter-segment revenues) provided on a time-and-materials basis decreased to 64.9% in fiscal 2006 from 65.8% in fiscal 2005. Revenues from IT services provided on a fixed-price basis increased to 35.1% in fiscal 2006 from 34.2% in fiscal 2005. The increase in fiscal 2006 for fixed-price contracts is primarily due to the shift in customer preference regarding type of contracts from time-and-material to fixed-price.

The onsite revenues increased as a result of new engagements in consulting and enterprise business solutions in fiscal 2006, and the need for extensive interactions with customers in the early stages of new engagements to understand their business needs and create the relevant processes before we move the appropriate portion of the work offshore.

Of the total increase of $302.7 million in total revenue in fiscal 2006, $168.9 million was due to increased business in United States, $74.6 million in Europe, $39.7 million in rest of the world, $17.9 million in India and $1.6 million in Japan. Our increased business in United States and Europe was due to new customers and additional business from existing customers.

Cost of Revenues. Cost of revenues increased by 35.9% to $689.0 million in fiscal 2006 from $506.8 million in fiscal 2005. Cost of revenues represented 62.8% of revenues in fiscal 2006 and 63.9% in fiscal 2005. This increase by $182.2 million was attributable primarily to increases in associate compensation and benefits expenses, traveling expenses, communication expenses, depreciation and other expenses, attributable largely to an overall increase in our business during this period. Associate compensation and benefits expenses increased by 35.7% to $544.4 million, or 49.7% of revenues in fiscal 2006 from $401.2 million, or 50.6% of revenues in fiscal 2005. The increase in the associate compensation and benefits is due to: (i) increase in the total number of technical associates by 7,471 to 26,711 in fiscal 2006 from 19,240 in fiscal 2005; (ii) increase in number of onsite technical associates by 1,026 to 5,327 in fiscal 2006 from 4,301 in fiscal 2005 for which we pay a higher compensation; (iii) salary incentives amounting to $20.9 million given to technical associates in fiscal 2006 as compared to $7.9 million in fiscal 2005. Salary incentives increased primarily due to introduction of new incentive scheme by the company in fiscal 2006, and (iv) increase of approximately $1.5 million of the funding to Citisoft Employee Benefit Trust accounted as compensation expense relating to employees of Citisoft. Traveling expenses increased by 21.7% to $47.6 million, or 4.3% of revenues, in fiscal 2006 from $39.1 million, or 4.9% of revenues, in fiscal 2005. This increase was primarily due to increase in the number of travels resulting from increase in the number of technical associates. Communication expenses increased by 110.0% to $14.7 million or 1.3% of revenues in fiscal 2006 from $7.0 million, or 0.9% of revenues in fiscal 2005. This increase was primarily due to increase in number of locations of operations, both in India and abroad. Other expenses comprised mainly of rent, power and fuel and maintenance expenses. Other expenses increased by 47.5% to $56.2 million, or 5.1% of revenues, in fiscal 2006 from $38.1 million, or 4.8% of revenues in fiscal 2005. Depreciation expense increased 26.7% to $26.1 million, or 2.4% of revenues, in fiscal 2006 from $20.6 million, or 2.6% of revenues in fiscal 2005.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 50.9% to $187.6 million in fiscal 2006 from $124.3 million in fiscal 2005. Selling, general and administrative expenses represented 17.1% of revenues in fiscal 2006 and 15.7% of revenues in fiscal 2005. This increase of $63.3 million in fiscal 2006 was a result primarily of increase in associate compensation and benefits for non-technical associates, communication expenses, traveling expenses and sales and marketing expenses. Associate compensation and benefits increased by 91.1% to $100.9 million, or 9.2% of revenues, in fiscal 2006 as compared to $52.8 million or 6.7% of revenues in fiscal 2005 primarily on account of increase in number of non-technical associates by 463 to 1,913 as of March 31, 2006 from 1,450 as of March 31, 2005, and salary incentives amounting to $21.0 million given to non-technical associates in fiscal 2006 as compared to $3.9 million in fiscal 2005. Salary incentives increased primarily due to introduction of new incentive scheme by the company in fiscal 2006. Communication expenses decreased by 22.2% to $6.3 million or 0.6% of revenues in fiscal 2006 as compared to $8.1 million or 1.0% of revenue in fiscal 2005. Traveling expenses increased by 103.3% to $18.7 million or 1.7% of revenues in fiscal 2006 from $9.2 million or 1.2% of revenue in fiscal 2005. Traveling expenses increased primarily due to increase in travels by our non-technical associates. Depreciation expenses increased by 4.5% to $4.6 million or 0.4% of revenues in fiscal 2006 from $4.4 million or 0.6% of revenue in fiscal 2005. Professional charges increased by 27.7% to $12.0 million or 1.1% of revenues in fiscal 2006 from $9.4 million or 1.2% of revenues in fiscal 2005. Stock-based compensation expense decreased by 27.3% to $0.8 million in fiscal 2006 from $1.1 million in fiscal 2005. Other expenses comprised primarily of marketing expense, rent, power and fuel and maintenance expenses. Other expenses increased by 12.7% to $44.3 million or 4.0% of revenue in fiscal 2006 from $39.3 million, or 5.0% of revenues in fiscal 2005.

Operating income. Our operating income was $219.7 million in fiscal 2006, representing an increase of 35.2% over the operating income of $162.5 million for fiscal 2005. As a percentage of revenues, operating income decreased to 20.0% in fiscal 2006, from 20.5% in fiscal 2005. This decrease in operating income as a percentage of revenue was due to (i) increase in the associate compensation and benefits expenses by $191.3 million to $645.3 million or 58.9% of revenue in fiscal 2006 from $454.0 million, or 57.2% of revenues, in fiscal 2005 and (ii) offset by decrease in the traveling, depreciation and other expenses.

Interest income. Interest income increased to $26.3 million in fiscal 2006 representing an increase of 17.9% from $22.3 million in fiscal 2005, primarily due to additional bank deposits during the period.

Gain on sale of investments. In fiscal 2006, gain on sale of investments was $43.6 million as compared to $Nil in fiscal 2005. The gain of $43.6 million in fiscal 2006 was on account of the gain on sale of 11,182,600 equity shares representing its entire 31.61% investment in Sify.

Gain/(loss) on foreign exchange transactions. In fiscal 2006 and fiscal 2005, 77.6% and 81.8% respectively, of our revenues were generated in U.S. dollars. The average exchange rate of Indian rupee to U.S. dollar in fiscal 2006 was Rs. 44.18 against Rs. 44.85 in fiscal 2005. As at March 31, 2006, the Indian rupee depreciated to Rs. 44.48 against 43.62 at March 31, 2005. As at March 31, 2005, the Indian rupee depreciated to Rs. 43.62 against Rs. 43.40 as at March 31, 2004. As a result of these fluctuations in exchange rates during fiscal 2006 and fiscal 2005, gain on foreign exchange transactions was $0.3 million in fiscal 2006 as compared to a loss of $4.6 million in fiscal 2005.

Other income/(expenses), net. Other income/ (expenses), net were $(0.8) million in fiscal 2006, as compared to other income /(expenses), net were $0.4 million in fiscal 2005. The decrease in the other income is primarily on account of loss on forward and options contracts.

Income taxes. Income taxes were $37.7 million in fiscal 2006, representing an increase of 49.0% from $25.3 million in fiscal 2005. This increase was primarily due to increase in tax of $7.7 million relatable to sale of shares in Sify. The expiry of tax exemption benefit for two of our STP units in Hyderabad resulted in increase in income taxes by $2.8 million in fiscal 2006.

Equity in earnings/(losses) of associated companies, net of taxes. Equity in earnings/(losses) of associated companies was $(0.8) million in fiscal 2006 as compared to $(1.1) million in fiscal 2005. Equity in earnings/(losses) of Satyam Venture, CA Satyam and Sify amounted to $0.5 million, $(15) thousand and $(1.3) million, respectively, in fiscal 2006 as compared to $0.7 million, $(63) thousand and $(1.7) million, respectively in fiscal 2005.

Net income. As a result of the foregoing, our net income was $249.4million in fiscal 2006, representing an increase of 62.2% over net income of $153.8 million in fiscal 2005. As a percentage of total revenues, net income increased to 22.7% in fiscal 2006 from 19.4% in fiscal 2005.

Liquidity and Capital Resources

Net cash provided by operating activities

Net cash provided by operating activities was $261.5 million, $162.7 million and $171.3 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively.

In fiscal 2007, non-cash adjustments to reconcile the $298.4 million net income to net cash used in operating activities consisted primarily of depreciation and amortization expense of $33.6 million, stock-based compensation expense of $15.7 million and increase in net accounts receivable and unbilled revenues. Net accounts receivable and unbilled revenues increased by $127.7 million primarily as a result of an increase in our revenues and increase in collection period. Accounts payable and accrued expenses increased by $42.2 million primarily on account of provision for gratuity and unutilized leave by $23.7 million and increase in provision for taxation net of payments by $7.0 million.

In fiscal 2006, non-cash adjustments to reconcile the $249.4 million net income to net cash used in operating activities consisted primarily of depreciation and amortization expense of $31.5 million, increase in net accounts receivable and unbilled revenues and gain on sale of investment of $43.6 million. Net accounts receivable and unbilled revenues increased by $81.9 million primarily as a result of an increase in our revenues. Accounts payable and accrued expenses increased by $37.6 million primarily on account of accrued compensation and benefits of $7.7 million and increase in provision for gratuity and unutilized leave by $5.7 million.

In fiscal 2005, non-cash adjustments to reconcile the $153.8 million net income to net cash provided by operating activities consisted primarily of depreciation expense of $25.0 million and increase in net accounts receivable and unbilled revenues. Net accounts receivable and unbilled revenues increased by $40.7 million primarily as a result of an increase in our revenues. Accounts payable and accrued expenses increased by $18.3 million primarily on account of an increase in taxes by $2.1 million and an increase in sub-contracting charges payable by $5.0 million.

Net cash used in investing activities

Net cash used in investing activities was $422.7 million, $5.2 million and $115.5 million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively.

Net cash used in investing activities in fiscal 2007 increased by $417.5 million to $422.7 million from $5.2 million in fiscal 2006. This increase in net cash used in investing activities was primarily due to investment in bank deposits amounting to $745.6 million and purchase of premises, plant and equipment of $81.5 million during fiscal 2007 due to expansion of new facilities at Bangalore, Chennai, Hyderabad and Visakhapatnam which is offset by receipt of proceeds from maturity of bank deposits amounting to $408.0 million.

Net cash used in investing activities in fiscal 2006 decreased by $110.3 million to $5.2 million $115.5 million in fiscal 2005. This decrease in net cash used in investing activities was primarily due to proceeds from the sale of shares of Sify amounting to $62.3 million, offset by (i) payment of consideration for the acquisition of Citisoft Plc amounting to $12.1 million net of cash acquired,(ii) payment for acquisition of Knowledge Dynamics amounting to $1.6 million net of cash acquired and (iii) increase in purchases of premises, plant and equipment to $54.1 million in fiscal 2006 due to purchase of premises and equipment, primarily infrastructure, computers and other equipment associated with the expansion of new facilities at Bangalore, Chennai, Hyderabad and Visakhapatnam.

Net cash used in investing activities in fiscal 2005 increased by $55.5 million to $115.5 million from $60.0 million in fiscal 2004. This increase was primarily due to increase in investments in bank deposits amounting to $79.3 million and purchases of premises, plant and equipment to $39.0 million during fiscal 2005 due to the purchase of land by Nipuna and purchase of equipment, primarily infrastructure, computers and other equipment associated with the expansion of new facilities at Hyderabad, Bangalore and Chennai.

Net cash provided by/(used in) financing activities

Net cash provided by/(used in) financing activities was $16.1 million, $6.1 million and $(12.9) million in fiscal 2007, fiscal 2006 and fiscal 2005, respectively.

Net cash provided by financing activities in fiscal 2007, increased by $10.0 million to $16.1 million from $6.1 million in fiscal 2006. We received cash from exercise of associate stock options (including shares subscribed but unissued) of $66.2 million, $10.9 million from short term debt by Nipuna and $4.3 million from long term debts by Nipuna. We used cash in repayment of loans amounting to $8.6 million. Cash dividends paid amounted to $56.7 million in fiscal 2007.

Net cash provided by/(used in) financing activities in fiscal 2006, increased by $19.0 million to $6.1 million from $(12.9) million in fiscal 2005. We received cash from exercise of associate stock options of $31.0 million, $3.6 million from short term debt by our subsidiary and $16.3 million from long term debts by Nipuna. We used cash in repayment of loans amounting to $3.9 million. Cash dividends paid amounted to $41.3 million in fiscal 2006.

Net cash used in financing activities in fiscal 2005, increased by $1.3 million to $12.9 million from $11.6 million in fiscal 2004. We received cash from issuance of preferred stock (net of issuance costs) of $9.5 million by our subsidiary, $15.3 million by associate stock options and $1.7 million from short-term debt by our subsidiary. Cash dividends paid amounted to $37.6 million in fiscal 2005.

As of March 31, 2007, we had cash and cash equivalents of $152.2 million, U.S. dollar denominated loans of Nipuna amounting to $20.6 million, short term borrowings of Nipuna amounting to $10.5 million and hire purchase loans amounting to $3.2 million with maturities ranging from one to three years. As of March 31, 2007, we had an unused working capital line of credit of $9.0 million from banks and unused non-funded lines of credit of $16.2 million from banks.

The following table describes our outstanding credit facilities as of March 31, 2007

Loan Type	Lenders	Amount outstanding	Interest (per annum)	Computation method
		(dollars in millions)		
Working capital term loan	BNP Paribas	$ 10.0	6 month LIBOR +0.95%	Floating
External commercial borrowing	BNP Paribas	10.6	6 month LIBOR +0.95%	Floating
Overdraft facility	BNP Paribas	10.5	6 month LIBOR +0.25%	Floating
Other loans	Various other parties	3.2	3.0%-14.5%	Fixed
Total		**$ 34.3**		

We have incurred $81.5 million in fiscal 2007 and we anticipate capital expenditure of approximately $100.0 million in fiscal 2008, principally to finance construction of new facilities in our offshore centers, expand facilities in offshore centers in India and establish offsite centers outside India. We believe that existing cash and cash equivalents and funds generated from operations will be sufficient to meet these requirements. However, we may significantly alter our proposed capital expenditures plans and accordingly, may require additional financing to meet our requirements. In either case, we cannot assure you that additional financing will be available at all or, if available, that such financing will be obtained on terms favorable to us or that any additional financing will not be dilutive to our shareholders.

We have guaranteed payment of all sums payable by Nipuna to the Investors on redemption of the 0.05% cumulative convertible redeemable preference shares. We, Nipuna and the investors had also entered into a warrant agreement whereby Nipuna agreed to issue to the Investors, one warrant in consideration of and based upon every US$0.1 million referral revenues received by Nipuna or its subsidiaries. As of March 31, 2007, there were no referral revenues and hence no warrants have been issued.

The following table sets forth our contractual obligations and commitments to make future payments as of March 31, 2007. The following table excludes our accounts payable, accrued operating expenses and other current liabilities which are payable in normal course of operations.

	Payments due as at March 31, 2007,				
	Within 1 year	1-3 years	3-5 years	After 5 Years	Total
			(dollars in millions)		
Long-term debt	$ 1.6	$ 22.0	$ 0.2	—	$ 23.8
Operating leases	4.6	3.7	0.3	0.3	8.9
Unconditional purchase obligations:					
Other commercial commitments	38.2	—	—	—	38.2
Bank guarantees	10.9	0.7	6.9	4.6	23.1
Gratuity Plan	2.1	5.2	8.3	19.2	34.8
Nipuna 0.05% Cumulative convertible redeemable preference shares	13.6	—	—	—	13.6
Citisoft deferred, earn-out consideration and EBT funding (1)	11.2	9.0	—	—	20.2
Knowledge Dynamics deferred and earn-out consideration (2)	2.1	1.2	—	—	3.3
Total contractual cash obligations.	**$ 84.3**	**$ 41.8**	**$ 15.7**	**$ 24.1**	**165.9**

(1) The earn-out consideration and the further funding of EBT are based on fulfillment of certain conditions.

(2) Earn-out consideration of Knowledge Dynamics is based on certain conditions.

(3) We anticipate to incur capital expenditure of $100 million in fiscal 2008.

Based on past performance and current expectations, we believe that our cash and cash equivalents and cash generated from operations will satisfy our working capital needs, capital expenditures, investment requirements, stock repurchases, commitments, and other liquidity requirements associated with our existing operations through at least the next 12 months. In addition, there are no transactions, arrangements, and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of our requirements for capital resources.

Research and Development

Our research and development efforts are focused on developing services required by our existing customers, to attract new customers and developing competencies and leadership in our service offerings. We have established close alliances with U.S. and Indian institutions such as Carnegie Mellon University and Indian Institute of Technology, Madras to strengthen our technology competencies. We have set up an enterprise business solution laboratory where latest versions of products are evaluated; business solution scenarios are created and validated. We have set up a grid computing laboratory which simulates a live grid environment for testing sample applications on the grid. We have also established a data warehousing and business intelligence center which has developed proprietary business intelligence architectural platform which enables us to build large scale data warehousing and business intelligence solutions. We are also working with major technology providers in the areas of technology architectures for .NET for solutions for various industries. In the embedded systems space, we have created an environment to simulate various operating conditions and validate the solutions we build. We have an applied research group which focuses on creating IP in the areas of competition, communication, networking and information processing algorithms. In addition to presenting papers at international conferences and publishing in referenced journals, this group has over 16 United States patent applications in various stages of registration. In fiscal 2007, fiscal 2006 and fiscal 2005 we spent 0.03%, 0.05% and 0.08% of our total revenues on research and development activities, respectively.

Stock-based Compensation

Effective April 1, 2006, Satyam adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). Prior to the adoption of SFAS 123R, Satyam recognized stock-based compensation using the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees"*, and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25,* issued in March 2000 to account for its employee stock-based compensation plan. Satyam has therefore adopted the pro-forma disclosure requirements of SFAS No. 123, *"Accounting for Stock-Based Compensation"* and SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123*. Pursuant to SFAS No. 123, all equity instruments issued to non-employees are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. In March 2005, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin No.107 ("SAB 107") regarding the SEC's interpretation of SFAS 123R and the valuation of share-based payments for public companies. Satyam has applied the provisions of SAB 107 in its adoption of SFAS 123R.

Satyam adopted SFAS 123R using the modified prospective transition method, which required the application of the accounting standard as of April 1, 2006, the first day of Satyam's fiscal year 2007. Under this transition method, stock-based compensation expensed for the year ended March 31, 2007 includes a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123") and b) Stock-based compensation expenses for all stock-based compensation awards granted after April 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

We have five associate stock option plans. See "Item 6. Directors, Senior Management and Employees – Employee Benefit Plans" for more information.

Satyam's Consolidated Financial Statements as of and for the year ended March 31, 2007 reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. As required by SFAS 123(R), management has made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. Upon adoption of SFAS 123R, Satyam had no cumulative adjustment on account of expected forfeitures for stock-based awards granted prior to April 1, 2006. During the year ended March 31, 2007, Satyam recorded stock-based compensation related to stock options of $15.7 million on a graded vesting basis for all unvested options granted prior to and options granted after the adoption of SFAS 123(R). As of March 31, 2007, there was $45.3 million of unrecognized compensation cost related to unvested options which is expected to be recognized over a weighted average period of 3.84 years. Satyam issues new shares to satisfy share option exercise. Cash received from option exercises amounted to $64.4 million, $31.0 million and $15.4 million for the years ended March 31, 2007, 2006 and 2005 respectively.

The fair value of each option award is estimated on the date of grant using the Black Scholes option-pricing model. The following table gives the weighted-average assumptions used to determine fair value:

	Year ended March 31,2007
Dividend yield	0.78%
Expected volatility	59%
Risk-free interest rate	8%
Expected term (in years)	0.96

Expected Term: The expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior.

Risk-Free Interest Rate: The risk-free interest rate is based on the applicable rates of government securities in effect at the time of grant.

Expected Volatility: The fair values of stock-based payments were valued using a volatility factor based on the Company's historical stock prices.

Expected Dividend: The Black Scholes option-pricing model calls for a single expected dividend yield as an input.

Estimated Pre-vesting Forfeitures: When estimating forfeitures, the Company considers voluntary termination behavior. Estimated forfeiture rates are trued-up to actual forfeiture results as the stock-based awards vest.

Effect of recently issued accounting pronouncements

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 ("FIN 48"). The Interpretation clarifies the accounting for uncertainty in income taxes recognized in a Company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, which is April 1, 2007 for us. The differences, if any between the amounts recognized in the statements of financial position prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. We are in the process of evaluating the impact this new standard will have on our financial position, results of operations and liquidity.

In September 2006, the Securities and Exchange Commission ("SEC") released SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides interpretive guidance on the SEC's views on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. Satyam adopted SAB 108 during the fourth quarter of 2007. The adoption did not have a material impact on our financial position, cash flows, or results of operations.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commending April 1, 2008 for us. We are in the process of evaluating the impact SFAS 157 will have on our financial position, results of operations, liquidity and its related disclosures.

As discussed in note 2(m), "Significant Accounting Policies," effective March 31, 2007, Satyam adopted SFAS No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)," which requires the recognition of the funded status of the retirement-related benefit plans in the Consolidated Balance Sheet and the recognition of the changes in that funded status in the year in which the changes occur through Accumulated Other Comprehensive Income, net of applicable tax effects. The provisions of SFAS No. 158 were adopted pursuant to the transition provisions therein. Satyam measures defined benefit plan assets and obligations as of March 31 and SFAS No. 158 did not affect the company's existing valuation practices.

In February 2007, the FASB issued FASB Statement 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 allows the company to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commending April 1, 2008 for us. We are in the process of evaluating the impact SFAS 159 will have on our financial position, results of operations, liquidity and its related disclosures.

Critical Accounting Policies

The following is a brief discussion of the more significant accounting policies and methods used by us. We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout this section where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 1 in the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 20-F.

Our preparation of this Annual Report on Form 20-F requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue recognition

Our revenue recognition policy is significant because our revenue is a key component of our results of operations. We follow very specific and detailed guidelines in measuring revenue; however, certain judgments affect the application of our revenue policy. Revenue results are difficult to predict, and any shortfall in revenue or delay in recognizing revenue could cause our operating results to vary significantly from quarter to quarter and could result in future operating losses.

We derive our revenues primarily from IT services, which includes application development and maintenance services, consulting and enterprise business solutions, extended engineering solutions, and infrastructure management services.

Our IT service contracts are either on a time-and-material or fixed-price basis. The IT contracts on a fixed-price basis specify a fixed fee to create a specific deliverable for IT services within a fixed time frame. Typically, contracts for maintenance services specify the fee amounts for maintenance services during a fixed period, typically a month. In the case of development projects, the contracts specify the deliverable to be provided to the client at pre-determined prices.

Revenues earned from services performed on a time-and-material basis are recognized as the services are performed. IT services performed on time bound fixed-price engagements; require accurate estimation of the costs which include salaries and related expenses of technical associates, related communication expenses, travel costs, scope and duration of each engagement. Revenue and the related costs for these projects are recognized on percentage of completion basis, with revisions to estimates reflected in the period in which changes become known. The use of the percentage of completion method reflects the pattern in which the obligations to the customer are fulfilled. We have used an input-based approach since the input measures are a reasonable surrogate for output measures. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

We believe that the percentage of completion method is appropriate for revenue recognition as our revenues are earned as services are provided over the contractual term of the arrangement by rendering services to create a specific deliverable or as maintenance services are provided over the contract term. In determining whether delivery has occurred, we pay careful attention to the terms of the arrangement, specifically our’s and the customer’s rights and obligations. The use of the percentage of completion method reflects the pattern in which the obligations to the customer are fulfilled. We have used an input-based approach since the input measures are a reasonable surrogate for output measures. Our method to measure progress-to-completion on our contracts best approximates progress-to-completion as:

- We have established a direct relationship between units of input and productivity.
- We evaluate each contract and apply judgment to ensure the existence of a relationship between efforts expended and productivity.
- We periodically ensure that no inefficiencies exist between the input and productivity and that the incurrence of an input results in progress-to-completion.
- We periodically review and confirm by alternative measures the acceptability of the results provided by the input measures with the output measures.

The progress of work on a specific deliverable is monitored on a continuous basis using a project plan developed specifically for each project. The progress of the project is measured based on units of work performed (hours incurred by staff members) on a continuous basis and any modifications to the project plan are made with requisite customer approvals.

Table of Contents

At any point in time, it is possible to determine: a) the extent of progress to date on the project, b) estimates of future efforts for completion of the project and c) the variance of the revised project plan(s) from the original project plan. As there is a direct relationship between the efforts expended and the productivity in measuring progress towards completion, the efforts expended method has been used since it is found to be reliable and also the best approximation of progress towards completion.

We provide our customers with one to three months warranty as post-sale support for our fixed-price engagements. Historically, we have not incurred any material expenditure on account of warranties and since the customer is required to formally sign off on the work performed, any subsequent work is usually covered by an additional contract.

Delivery of services/deliverables to the customer is clearly the point at which all of our obligations have been completed (i.e., the earnings process is complete and revenue recognition is appropriate) and the Company is not required to perform any additional steps. We have conformed to SAB 104 (SAB Topic 13) framework for evaluating whether customer acceptance has occurred and when a customer acceptance clause is substantively a right of return clause, a warranty provision or an arrangement for demonstration purposes.

The title to the deliverable/services passes upon their delivery and the payment is due after a specified period after customer acceptance but we are not responsible for any post-delivery services other than those imposed by the terms of the contract's warranty. Customer acceptance is indicated either by the customer's formal sign-off or by the passage of credit period, if the customer makes no claim under the acceptance provisions during such time. The customer sign-off only ensures that the services would not be rejected for failure to meet specifications that had already been determined to be in compliance with the arrangement, and therefore, the customer-acceptance provision is evaluated as a warranty under FAS 5, Accounting for Contingencies. We are able to reasonably and reliably estimate the amount of its warranty obligation at the time of revenue recognition.

In respect of the customer sign-offs in our arrangements:

- we do not have any arrangements where services / deliverables are for trial or evaluation purposes and we do not grant a right of return / exchange;
- the fees for these contracts are fixed and non refundable and delivery occurs on a prorate basis as the services are rendered. The customer sign-off rights are generally identical to those granted to all others within the same class of customer and for which satisfaction can be generally assured without consideration of conditions specific to the customer;
- we are able to objectively demonstrate that the deliverables meet the specified criteria and that these provisions are not different from general or specific warranties and accordingly should be accounted for as warranties in accordance with FAS 5, Accounting for Contingencies. We are able to reliably estimate the related warranty costs based on a demonstrated history of substantially similar transactions; and
- no uncertainty exists about customer acceptance once the services have been rendered. We are able to reliably demonstrate that the criteria specified in the acceptance provisions and all other revenue recognition criteria are met prior to formal customer sign-off. We believe that we would be successful in enforcing a claim for payment even in the absence of formal sign-off.

Impairment of Goodwill

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed.. Effective April 1, 2002, we adopted provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" which sets forth the accounting for goodwill and intangible assets subsequent to their acquisition. Goodwill is tested annually for impairment, or sooner when circumstances indicate an impairment may exist, using a fair-value approach at the reporting unit level.

We assess the impairment of goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- • significant underperformance relative to expected historical or projected future operating results;
- • significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- • significant negative industry or economic trends;

- ■ • significant decline in our stock price for a sustained period; and
- ■ • our market capitalization relative to net book value.

When we determine that the carrying value of goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on the two-step impairment recognition and measurement guidance in accordance with SFAS 142.

The first step of the impairment test, used to identify potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, goodwill of the reporting unit is considered impaired, and step two of the impairment test is performed. The second step of the impairment test quantifies the amount of the impairment loss by comparing the carrying amount of goodwill to the implied fair value. An impairment loss is recorded to the extent the carrying amount of goodwill exceeds its implied fair value.

We amortize other intangible assets over their estimated useful lives on a straight line basis unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows, and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required.

We performed an annual impairment review of goodwill in 2007 and based on these tests there is no impairment of goodwill during the year ended March 31, 2007. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

Accounts Receivable

We estimate the amount of uncollectible receivables each period and establish an allowance for uncollectible amounts. The amount of the allowance is based on the age of unpaid amounts, information about the creditworthiness of customers, and other relevant information. Estimates of uncollectible amounts are revised each period, and changes are recorded in the period they become known. A significant change in the level of uncollectible amounts would have a significant effect on our results of operations.

Accounting for income taxes

As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the statement of operations.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. The valuation allowance is based on our estimates of taxable income by jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates or we adjust these estimates in future periods we may need to establish an additional valuation allowance which could materially impact our financial position and results of operations.

Stock-Based Compensation Expense

Effective April 1, 2006 we adopted SFAS 123R using the modified prospective method and therefore have not restated prior periods' results. Under the fair value recognition provisions of SFAS 123R, we recognize stock-based compensation net of an estimated forfeiture rate and therefore only recognize compensation cost for those shares expected to vest over the service period of the award.

Prior to SFAS 123R adoption, we accounted for share-based payments under APB 25 and accordingly, generally recognized stock-based compensation expense related to stock options with intrinsic value and accounted for forfeitures as they occurred.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based awards, stock price volatility, and the pre-vesting option forfeiture rate. We estimate the expected life of options granted based on historical exercise patterns, which we believe are representative of future behavior. We estimate the volatility of our common stock on the date of grant based on the historically volatility of our common stock. The assumptions used in calculating the fair value of stock-based awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience of our stock-based awards that are granted, exercised and cancelled. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period.

Effects of Inflation

India has experienced relatively high rates of inflation in the past however it has not had a significant effect on our results of operations and financial condition to date.

Exchange Rates

The following table sets forth, for each of the months indicated, information concerning the number of Indian rupees for which one U.S. dollar could be exchanged based on the average of the noon buying rate in the City of New York on the last day of each month during each of such months for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York:

Month	Month end	Average	High	Low
	(Rupees)			
April-05	43.48	43.64	43.72	43.48
May-05	43.62	43.41	43.62	43.21
June-05	43.51	43.52	43.71	43.44
July-05	43.40	43.43	43.59	43.05
August-05	44.00	43.55	44.00	43.36
September-05	43.94	43.85	43.98	43.75
October-05	45.09	44.76	45.11	44.00
November-05	45.87	45.63	45.87	45.02
December-05	44.95	45.56	46.26	44.94
January-06	43.96	44.20	44.92	43.89
February-06	44.21	44.23	44.54	44.10
March-06	44.48	44.34	44.58	44.09
April-06	44.86	44.82	45.09	44.39
May-06	46.22	45.20	46.22	44.69
June-06	45.87	45.89	46.25	45.50
July-06	46.49	46.37	46.83	45.84
August-06	46.43	46.45	46.61	46.32
September-06	45.95	46.01	46.38	45.74
October-06	44.90	45.36	45.97	44.90
November-06	44.59	44.73	45.26	44.46
December-06	44.11	44.48	44.70	44.11
January-07	44.07	44.21	44.49	44.07
February-07	44.08	44.02	44.21	43.87
March-07	43.10	43.79	44.43	42.78

Risk Management Policy

Our functional currency is the Indian rupee, however we transact a major portion of our business in U.S. dollars and other currencies and accordingly face foreign currency exposure from our sales in the United States and elsewhere and from our purchases from overseas suppliers in U.S. dollars and other currencies. Accordingly, we are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future.

We manage risk on account of foreign currency fluctuations through treasury operations. Our risk management strategy is to identify risks we are exposed to, evaluate and measure those risks, decide on managing those risks, regular monitoring and reporting to management. The objective of our risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater predictability and stability. Our risk management policies are approved by senior management and include implementing hedging strategies for foreign currency exposures, specification of transaction limits; specifying authority and responsibility of the personnel involved in executing, monitoring and controlling such transactions.

We enter into foreign exchange forward and options contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in U.S. dollars. We enter into foreign exchange forward and options contracts where the counter party is generally a bank. We consider the risks of non-performance by the counter party as non-material. These contracts mature between one and nine months. These contracts do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS No. 133, is marked to market and recognized in earnings.

The following tables give details in respect of our outstanding foreign exchange forward and options contracts:

	As at March 31,		
	2007 Amount	2006 Amount	2005 Amount
		(dollars in millions)	
Aggregate contracted principal amounts of contracts outstanding:			
Forward contracts	$ 100.0	$ 79.0	$ 160.0
Options contracts	352.6	137.0	141.5
Total	**$ 452.6**	**$ 216.0**	**$ 301.5**
Gains/(loss) on outstanding contracts:			
Forward contracts	$ 2.1	$ 0.4	$ 1.0
Options contracts	2.4	(1.8)	0.1
Total	**$ 4.5**	**$ (1.4)**	**$ 1.1**

Gains/(losses) on foreign exchange forward and options contracts are included under the heading ‘Other income/(expense)’ in the statement of income and are as stated below:

	Year ended March 31,		
	2007 Amount	2006 Amount	2005 Amount
		(dollars in millions)	
Forward contracts	$ 2.6	$ 0.8	$ (0.5)
Options contracts	3.6	(1.6)	0.2
Total	**$ 6.2**	**$ (0.8)**	**$ (0.3)**

Off-Balance Sheet Arrangements

We currently do not engage in any off-balance sheet arrangements.

Foreign Currency Transactions/ Translation

During fiscal 2007, 2006 and 2005, 74.7%, 77.6% and 81.8%, respectively, of our total revenues were generated in U.S. dollars. A significant amount of our expenses were incurred in Indian rupees and the balance was primarily incurred in U.S. dollars, European currencies and Japanese yen. Our functional currency and the functional currency for our subsidiaries located in India is the Indian rupee; however, U.S. dollar, Pound Sterling, Singapore Dollar and Renminbi are the functional currencies of our foreign subsidiaries located in the United States, United Kingdom, Singapore and China respectively. The translation of such foreign currencies into U.S. dollars (our reporting currency) is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using monthly simple average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income, a separate component of shareholders' equity.

We expect that a majority of our revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in Indian rupees. Consequently, our results of operations will be affected to the extent the rupee appreciates/ depreciates against the U.S. dollar.

The average exchange rate of rupee to U.S. dollar fiscal 2007 was Rs. 45.11 against Rs. 44.18 in fiscal 2006. As at March 31, 2007, the rupee appreciated to Rs. 43.10 against Rs. 44.48 as at March 31, 2006. As at March 31, 2006, the rupee depreciated to Rs. 44.48 against Rs. 43.62 as at March 31, 2005. As a result, loss on foreign exchange transactions was $3.3 million in fiscal 2007 as compared to a gain of $0.3 million in fiscal 2006.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth the name, age, and position of each of our directors and key management personnel of Satyam, as of March 31, 2007:

Directors

Name	Age	Position
B. Ramalinga Raju	51	Chairman
B. Rama Raju	47	Managing Director and Chief Executive Officer(3)
Ram Mynampati	49	President & Whole Time Director
V.P. Rama Rao	73	Director(1)(2)(3)
Dr. Mangalam Srinivasan	68	Director(1)(2)
Krishna G. Palepu	52	Director
Vinod K. Dham	56	Director(2)
M.Rammohan Rao	65	Director(1)(2)
T.R.Prasad	66	Director(1)(3)
V.S. Raju	67	Director(1)(2)(3)

Key Management Personnel (4)

Name	Age	Position
Anand T. R.	51	Director and Senior Vice President, Vertical Business Unit — TIMES
Hari T.	42	Director & Sr. Vice President – Human Resources
Jayaraman G.	51	Sr. Vice President, Corporate Governance and Company Secretary
Joseph Abraham	54	Director and Senior Vice President, Vertical Business Unit — Retail
Keshab Panda	48	Director and Senior Vice President, Regional Business Unit, Europe
Manish Sukhlal Mehta	50	Director and Senior Vice President, Horizontal Competency Unit — SAP, Engineering and Spatial Services

Table of Contents

Name	Age	
Mohan Eddy F.S	56	Director and Senior Vice President
V Murali	42	Director and Senior Vice President – Commercial and Contract
Murty A.S	48	Director and Senior Vice President, Leadership Development Group
Ravi Shanker Bommakanti	48	Director and Senior Vice President — Vertical Business Unit — Insurance
Shailesh Shah	46	Director and Senior Vice President — Corporate Strategy Group
Srinivas V	46	Director, Senior Vice President and Chief Financial Officer
Subramanian D	47	Director and Senior Vice President — Vertical Business Unit — Manufacturing, Energy, Oil and Gas and Utilities
Vijay Prasad Boddupalli	55	Director and Senior Vice President — Horizontal Competency Unit — Enterprise Applications and Business Intelligence Solutions
Virender Aggarwal	46	Director and Senior Vice President — Regional Business Unit-India, Middle East, Africa & Asia Pacific

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Investors' Grievance Committee

(4) Directors listed under key management personnel are directors of business/support units and not members of our board of directors.

B. Ramalinga Raju has been on our Board of directors since our inception in 1987. Prior to becoming the Chairman in 1995, he was the Vice Chairman of the Satyam Corporate Group. Mr. Ramalinga Raju also sits on the board of directors of Nipuna. Mr. Raju founded Satyam Computer Services in 1987 and has been instrumental in developing Satyam into one of the top Indian IT services company. Among the many awards received by him, Mr. Raju was awarded the "Corporate Citizen of the Year" award during the Asian Business Leadership Summit held in Hong Kong in 2002. He was also named as the "IT Man of the Year" by Dataquest in 2001 and was conferred the "Entrepreneur of the Year Award (Services)" by Ernst & Young, India in 2000. Mr. Ramalinga Raju holds a Master of Business Administration degree from Ohio University and has attended the Advanced Management Program conducted by Harvard Business School.

B. Rama Raju has been on our board of directors since our inception in 1987. He became the Managing Director and Chief Executive Officer in 1991. Prior to joining our company, he was a director of Maytas Infra Limited. Mr. Rama Raju also sits on the board of directors of Nipuna, Maytas Infra Limited and Satyam Venture Engineering Services Private Limited. Mr. Rama Raju holds a Master of Economics degree from Loyola College, Chennai and a Master of Business Administration degree from Loredo State University, Texas. He has also attended the Advanced Management Program conducted by Harvard Business School. Mr. Rama Raju is the younger brother of Mr. Ramalinga Raju, the Chairman of the company.

Ram Mynampati has been inducted on the Board as whole time director effective August 21, 2006. He has been our President, Commercial and Healthcare Businesses since October 2002. He was our Executive Vice President and Chief Operating Officer, Vertical Business Unit — Insurance, Banking and Financial Services, Healthcare since November 2000 and Executive Vice President, Strategic Business Units 1, 2 and 4 in 1999. He also provides executive leadership to our customer relationship with General Electric and oversees our industry groups which service the U.S. Government. Prior to joining Satyam, Mr. Mynampati has held key positions in large, multinational organizations, such as UNISYS and Southern California Gas Company. Mr. Mynampati holds a Master of Computer Science degree from California State University. He is the Chairman of Citisoft Plc. and Satyam Technologies, Inc. and also a director of Satyam Venture Engineering Services Pvt. Ltd.

V. P. Rama Rao was appointed to our board of directors in July 1991 as an independent director. Before joining our company, he was with the Indian Government's Administrative Service and was the Chief Secretary to the government of Andhra Pradesh. He was closely involved with the industrial development of Andhra Pradesh for over two decades. He also worked as the Chief of Industrial Infrastructure Corporation. Mr. Rama Rao holds a Post-Graduate degree in Arts, a Bachelor degree in Civil Law and a Post-Graduate diploma in Technical Science and Industrial Administration, from Manchester University, England. Mr. Rama Rao also sits on the board of directors of VBC Ferro Alloys Limited, NCC Finance Limited and Konaseema EPS Oakwell Power Limited.

Dr. Mangalam Srinivasan was appointed to our board of directors in July 1991 as an independent director. She is a management consultant and a visiting professor at several U.S. universities. Dr. Mangalam Srinivasan holds a Ph.D. in technology from George Washington University, a Master of Business Administration degree (international finance and organization) from the University of Hawaii, a Master of Arts degree (English) from Presidency College, Madras University and was an Advanced Special Scholar (astronomy and physics) at the University of Maryland. Currently, Dr. Mangalam Srinivasan is an advisor to the Kennedy School of Government, Harvard University, Massachusetts where she is a distinguished fellow.

Professor Krishna G. Palepu was appointed to our board of directors on January 23, 2003 as an independent director. Professor Palepu is the Ross Graham Walker Professor of Business Administration at the Harvard Business School, where he also holds the title of Senior Associate Dean, Director of Research. Professor Palepu joined the Harvard Business School faculty in 1983. He graduated with a Masters degree in Physics from Andhra University and holds a Master of Business Administration degree from the Indian Institute of Management, and a Ph.D. from the Massachusetts Institute of Technology. Professor Palepu serves as consultant to a wide variety of businesses, and is on the boards of Dr. Reddy's Laboratories Limited in India and Brooks Automation.

Vinod K. Dham was appointed to our board of directors on January 23, 2003 as an independent director. Mr. Dham is Vice President and General Manager, Carrier Access Business Unit, of Broadcom Corporation. Prior to this, he was the Chairman, President and Chief Executive Officer of Silicon Spice Inc., which was acquired by Broadcom Corporation. Mr. Dham obtained his Bachelor's degree in Electrical Engineering (electronics) from the University of Delhi and received his Master degree in Electrical Engineering (solid state) from the University of Cincinnati. He held the positions of Vice President of Intel Corporation's Microprocessor Products Group and General Manager of the Pentium Processor Division. Mr. Dham is also a director of NewPath Ventures LLC, Hellosoft Inc., Sasken Communication Technologies Limited, Nevis Networks Inc., Telsima Inc, Insilica and Montalvo Systems.

M Rammohan Rao, Dean, Indian School of Business was appointed to our board of directors on July 29, 2005 as an independent director. Mr. Rao is recognized internationally for his research and teaching capabilities. As a Research Fellow, Mr. Rao was associated with the International Institute of Management, Science Center, Berlin, Germany, and the International Center for Management Sciences, Center for Operations Research and Econometrics, University Catholique de Louvain, Belgium. He has also conducted research at the Operations Research Group, United States Steel Corporation, Applied Research Laboratory, Monroeville, Pennsylvania. Mr. Rao has a PhD in Industrial Administration from the Graduate School of Industrial Administration, Carnegie-Mellon University, Pittsburgh, Pennsylvania, USA. He has completed two Masters Degrees — Master of Science in Industrial Administration, Carnegie-Mellon University, Pittsburgh, Pennsylvania, and Master of Engineering (Industrial), Cornell University, New York. Mr. Rao has won several prestigious awards conferred on him by leading institutions across the world. Mr. Rao also sits on the Boards of Krishna Fabrications Pvt. Ltd., MosChip Semiconductor Technology Ltd. and APIDC Venture Capital.

Mr. T.R. Prasad was a member of the Indian Administrative Services. He was the Cabinet Secretary, Government of India and was also a member of the Finance Commission of India. Prior to this, he held the following positions: Defence Secretary, Government of India; Secretary, Industrial Policy and Promotion, Ministry of Industry; Chairman, Foreign Investment Promotion Board; Secretary, Heavy Industry and Chairman, Maruti Udyog Ltd. Mr. Prasad holds a Master's degree in Physics (Electronics) from Banaras University and is a lifetime fellow of the Institute of Engineers (FIE). He is also a member of the board of directors of TVS Motors Company Ltd., Suven Life Sciences Ltd., Taj GVK Hotels and Resorts Ltd., Nelcast Ltd., GMR Infrastructure Company Ltd. and Indofil Organic Industries Ltd.

Prof. V. S. Raju is the Chairman of the Naval Research Board, Defense Research and Development Organization, Government of India. Prior to this, he was the Director of the Indian Institute of Technology, Delhi and was a professor and Dean at the Indian Institute of Technology, Madras. During his over 40 year's academic career, he interacted extensively with the IT industry as a consultant, and at a policy level promoted Industry-Academia collaboration. Mr. Raju holds a Bachelor's and a Master's degree in engineering from Andhra University and Indian Institute of Science, respectively and a Doctorate in engineering from the University of Karlsruhe, Germany. He is also a member of the board of directors of Bharti Airtel Ltd., Kaytee Switchgar Ltd and Nagarjuna Construction Company Ltd.

Anand T.R. has been our Director and Senior Vice President of the Telecom, Infrastructure, Media & Entertainment, and Semiconductors (TIMES) business unit since April 2004. Prior to this, he was the Chief Operating Officer of the Telecom Business Unit. During 2001 — 2002 he was the chairperson of Satyam, Japan. Prior to joining our company, he was the Country General

Manager — e-Business and Cross Industry Solutions at IBM Global Services, India. He started his career at Tata Consultancy Services and later worked at the Groupe Bull subsidiary in India for eleven years. Mr. Anand holds a bachelor degree in electronics engineering from the University Visvesvaraya College of Engineering, Bangalore, and a post- graduate diploma in Business Management (with specialization in Information Systems) from the Indian Institute of Management, Ahmedabad.

Hari T. is our Director and Senior Vice President – Human Resources. He joined Satyam in 1998. Prior to joining our company, he was with Hyderabad-based OMC Computers Ltd, and moved on to DSQ Software Limited, Chennai. He currently spearheads various initiatives and handles the Attraction, Retention and Motivation related initiatives for this organization. He is part of the three member Leadership Development Council, which includes the chairman. He also heads the Real Time Leadership Centre — Satyam's 24x7 Business Performance Management centre. He is also the co-chairman for CII (HR) South Chapter and represents Satyam in various national and international bodies/forums. He holds a Masters in Personnel Management & Organisational Behavior.

Jayaraman G. has been our Sr.Vice President, Corporate Governance and Company Secretary since April 2005. From October 2000 to April 2005 he was Vice President – Corporate Affairs and Company Secretary. Prior to joining our company, he was with Samrat Spinner Limited as Director (Finance) and Company Secretary. Mr. Jayaraman holds a Bachelor of Science degree from University of Madras, is a fellow member of the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India. He is also an fellow member of the Institute of Company Secretaries of India.

Joseph Abraham was appointed as our Director and Senior Vice President, Vertical Business Unit — Retail in November 2000 after being the Senior Vice President, Strategic Business Unit 7 since 1998. Prior to joining our company, he was with Tata Consultancy Services Limited as Executive Vice President, Human Resources. Mr. Abraham holds a Master of Personnel Management and Industrial Relations degree from Tata Institute of Social Services and a Differential Test Battery Certificate from Morrisby Institute, United Kingdom.

Keshab Panda has been our Director and Senior Vice President — Head of Satyam Europe Operations since April 2004. He is also the Chief Executive Officer of Satyam Technologies Inc, a wholly owned subsidiary of Satyam and additionally manages multiple strategic relationships with our key customers as well. Prior to this, as a veteran of the Indian Space Research Organization (ISRO) Satellite Centre, he played an important role with the design of India's indigenous communications satellite, INSAT II Satellite and the Defence Research Development Organization (DRDO) in various capacities. He is also a director of Satyam Technologies, Inc.

Manish Sukhlal Mehta has been our Director and Senior Vice President — Horizontal Competency Unit — SAP, Engineering & Spatial Services, since April 2004. Prior to his current role, he was responsible for building our automotive practice. Mr. Mehta also played a key role in establishing the Manufacturing Business Unit in Satyam. He also established a Strategic Business Unit for Banking & Finance and managed it successfully as a profit center. Prior to joining our company, Mr. Mehta was heading the business operations of Datamatics in Chennai. He began his career with Tata Consultancy Services Limited, where he served for 15 years in various positions. Mr. Mehta holds a Masters in Science (Hons.) — Chemistry, and a Masters in Engineering — Industrial Development from the Birla Institute of Technology & Science (BITS), Pilani. He is also a director of Satyam Computer Services (Shanghai) Co. Limited.

Mohan Eddy F. S. has been our Director, Internal Information Systems and Platinum Processes Group since 2003. He was the Director, Horizontal Business Unit — Collaborative Enterprise Solutions since November 2000 and a Director, Strategic Business Unit of Satyam Renaissance Consulting from 1995. Mr. Mohan Eddy holds a Bachelor of Engineering degree and a Post-Graduate diploma in Management from the Indian Institute of Management, Calcutta.

V Murali is our Director and Senior Vice President — Commercial and Contract Management. He is responsible for creating and maintaining world-class facilities both in terms of physical and IT infrastructure that meets the growing demand of Satyam's global operations. Mr.Murali joined Satyam in May 1998 as Head of Finance for one of the then Subsidiary companies of Satyam, and moved to Satyam Computer Services Limited in 2000. Mr.Murali has a total experience of 20 years in the industry handled various roles and responsibilities during his tenure. Mr.Murali is also Director of Satyam Venture Engineering Services Private Limited and CA Satyam ASP Pvt. Ltd. He is a member of Infrastructure Panel constituted by Confederation of Indian Industry's A.P. Council. Mr. Murali is a Chartered Accountant, Cost and Works Accountant and Company Secretary and holds a Post Graduate Diploma in Business Management.

Murty A. S. has been our Director and Senior Vice President, Global Human Resources since November 2000. He was Senior Vice President, Human Resources in 1999 and Senior Vice President of Strategic Business Unit I since 1994. Before joining our company, Mr. Murty was with Tata Consulting Services Limited for over 12 years. Mr. Murty holds a Master of Engineering degree from the Indian Institute of Science, Bangalore.

Ravi Shanker Bommakanti has been our Director and Senior Vice President of Insurance Business Unit since April, 2004. Prior to this, he was responsible for the GE Strategic Relationship unit of Satyam for five years. Mr. Bommakanti was also responsible for managing the Dun and Bradstreet relationship for Satyam and in developing client-server competencies in Satyam. Prior to joining our company, Mr. Bommakanti worked with Citicorp in United States and India and Bankers Trust in Australia. Mr. Bommakanti is a

Chartered Accountant with experience in Financial Services and Accounting.

Shailesh Shah has been our Director and Senior Vice President — Corporate Strategy since September, 2004. Mr. Shah's last employment was with Watson Wyatt (India), as its Managing Director. Spanning his 20 year career, Mr. Shah has worked with organizations like Price Waterhouse, The Strategy Consulting Group and the Hay Group. Mr. Shah holds a Bachelors degree in Mechanical Engineering from Bangalore University, a Masters in Science Industrial Engineering & Operations Research from Syracuse University and a Master of Business Administration degree from Drexel University, United States. He is also a director of Citisoft Plc.

Srinivas V. has been our Director, Senior Vice President and Chief Financial Officer since October 2002. He was our Senior Vice President and Chief Financial Officer since November 2000 and as Vice President and Chief Financial Officer from 1998. Mr. Srinivas is a fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He is also an associate member of the Institute of Cost and Works Accountants of India. In addition, he holds a Bachelor of Law degree and a Master of Commerce degree from Osmania University, Hyderabad. He is also a director of Nipuna and Satyam Computer Services (Shanghai) Co. Limited.

Subramanian D. has been our Director since October 2002. He is also Director and Senior Vice President — Manufacturing, Automotive, Energy, Oil and Gas and Utilities since April 2004. He was Senior Vice President — SAP — Manufacturing and Engineering practices since October 2002 and Vice President — SAP since joining our company in 1999. Mr. Subramanian graduated with a Master of Business Administration degree from Annamalai University, Tamil Nadu and is an associate member of the Institute of Cost and Works Accountants of India. He is also a director of CA Satyam ASP Pvt Ltd.

Vijay Prasad Boddupalli has been our Director and Senior Vice President — EABIS (Enterprise Applications and Business Intelligence Solutions) business unit since April 2004. Prior to joining our company in 1996 Mr. Boddupalli worked in the United States and Australia. He started his career with Tata Consulting Services Limited, during which time he worked with American Express in the United Kingdom, Slavenburg's bank in the Netherlands, New Zealand Post Office in New Zealand. Mr. Boddupalli has a Bachelor degree of Technology in Electronics & Communications Engineering.

Engineering, from Regional Engineering College, Warangal and a Masters degree of Technology in Computer Science from Indian Institute of Technology, Bombay. He is also a director of CA Satyam ASP Pvt Ltd and Knowledge Dynamics Pvt. Ltd.

Virender Aggarwal is our Director and Senior Vice President — APAC-MEIA territories (Asia Pacific, Middle East, India and Africa) since April, 2004. He is responsible for management of business and delivery operations, which include the development centers across China, Australia, Malaysia, Singapore, Middle East and Japan. Prior to joining Satyam, Mr. Aggarwal was the head of a large Indian Software and Training Company operating out of Singapore. Mr. Aggarwal has completed his Masters in Management from BITS, Pilani and has more than 18 years' experience, including eight years in general management positions. Mr. Aggarwal's other assignments included working for management consultancy firm — AF Ferguson and Co in India, and various positions of responsibility in other organizations in the field of IT consulting. He is also a director of Satyam Computer Services (Shanghai) Co. Limited and Knowledge Dynamics Pvt. Ltd.

Compensation of Directors and Key Management Personnel

Under the Companies Act, our shareholders must approved the salary, bonus and benefits of all executive directors at an annual general meeting of shareholders. At our general meeting held on July 23, 2004, our shareholders approved the employment terms and conditions for each of our executive directors including monthly salary, benefits, medical reimbursement and pension fund contributions. These term are made for a five-year period. The employment term of Mr. B. Ramalinga Raju, the chairman of our Board of directors, and Mr. Rama Raju, our managing director and chief executive officer, were renewed for a period of five years with effect from April 1, 2004.

The following table sets forth all compensation awarded to, earned by or paid to Mr. B. Rama Raju, our managing director and chief executive officer, during fiscal 2007 for services rendered in all capacities to us. Mr. Raju was appointed as managing director and chief executive officer of our company in 1991. The total remuneration received by our executive officers and directors for their services to us for the fiscal year ended March 31, 2007 was $4.8 million. The total remuneration and the amounts in the following table are in dollars based on the noon buying rate of Rs. 43.1 per dollar on March 30, 2007.

At our general meeting held on July 25, 2003, our shareholders approved the payment of remuneration to our non-executive directors by way of commission. There are no loans to, or guarantees in favor of, directors or key management personnel other than interest-bearing housing loans provided to certain key management personnel which have not been made, modified or renewed after July 30, 2002.

Annual Compensation

			$ in millions
Name and Principal Position	**Salary**	**Bonus**	**Others [1]**
B. Rama Raju, Managing Director and Chief Executive Officer	$ 0.09	—	$ 0.01

(1) Includes membership fees and housing allowance.

Option Grants

During the fiscal year ended March 31, 2007, we granted options to our key managerial personnel to purchase 377500 shares under our ASOP — RSUs and 80000 under our ASOP – RSUs (ADS). The expiration dates for these options granted under ASOP — RSUs and ASOP – RSUs (ADS) ranged from January 28, 2013 to January 28, 2016. The exercise price for the options granted under ASOP – RSUs was Rs. 2/- and the exercise price for the options granted under ASOP – RSUs(ADS) was the U.S. dollar equivalent to Rs. 4.

Employee Benefit Plans

We have instituted an incentive plan to reward associates' performance through cash payments and, since September 1999, stock options. Associate performance is measured by reference to the associate's contribution to (1) profits and his or her tenure of service, (2) organizational development and (3) customer satisfaction. An associate must score a minimum number of points in each performance criterion to be eligible for a reward. Since the introduction of stock options, cash bonuses have decreased.

Our ASOP and ESOP Plans

We have five associate stock option plans: our Associate Stock Option Plan, or ASOP, established in May 1998; our Associated Stock Option Plan B, or ASOP B, established in May 1999; our Associated Stock Option Plan ADS, or ASOP ADS, established in May 1999; our Associate Stock Option Restricted Stock Units or ASOP RSUs and our Associate Stock Option Restricted Stock Units ADS or ASOP RSUs ADS established in October 2006. We also have the Employee Stock Option Plan, or ESOP, established by Nipuna in April 2004.

ASOP

In May 1998, Satyam Computer Services established its Associate Stock Option Plan (the "ASOP plan"), which provided for the issue of 26,000,000 shares, as adjusted to eligible associates. Satyam Computer Services issued warrants to purchase these shares to a controlled associate welfare trust called the Satyam Associate Trust (the "SC-Trust"). In December 1999 the SC- Trust exercised all its warrants to purchase Satyam Computer Services shares prior to the stock split using the proceeds obtained from bank loans. The warrants vest immediately or vest over a period ranging from one to three years. Upon vesting, associates have 30 days in which to exercise these warrants. As of March 31, 2007, warrants (net of lapsed and cancelled) to purchase 23,829,720 equity shares have been granted to associates pursuant to ASOP since inception.

We established a controlled associate welfare trust called the Satyam Associate Trust to administer the ASOP and issued warrants to purchase 13.0 million equity shares of Satyam. To give our associates the benefit of our stock split in September 1999, the Trust exercised its warrants to acquire our shares before the split using the proceeds from bank loans. The Trust periodically grants eligible associates warrants to purchase equity shares held by or reserved for issuance by the Trust. The warrants may vest immediately or may vest over a period ranging from two to three years, depending on the associate's length of service and performance. Upon vesting, employees have 30 days in which to exercise their warrants. Each warrant issued by the Trust currently entitles the associate holding the warrant to purchase 10 equity shares of our company at a price of Rs.450 ($10.4), plus an interest component associated with the loan the Trust assumed, for the conversion of the warrants it held. The interest component is computed based on a fixed vesting period and a fixed interest rate. This exercise price has been substantially below the market price of our shares at the time the warrants have been granted by the Trust. Neither we nor the Trust may increase the exercise price of the warrants.

ASOP B

In April 2000, Satyam Computer Services established its Associate Stock Option Plan B (the "ASOP B") and reserved warrants for 83,454,280 shares to be issued to eligible associates with the intention to issue the warrants at the market price of the underlying equity shares on the date of the grant. These warrants vest over a period ranging from two to four years, starting with 20% in second year, 30% in the third year and 50% in the fourth year. Upon vesting, associates have 5 years to exercise these warrants. As of March 31, 2007, options (net of lapsed and cancelled) to purchase 54,582,747 equity shares have been granted to associates under this plan since inception.

The ASOP B is substantially similar to the ASOP and is administered by a committee of our board of directors. The SEBI guidelines define the exercise price as the price payable by the employee for exercising the option granted to him in pursuance of the stock option plan. In determining the exercise price, we opted for the higher of the following: (a) the closing price of the shares on the date of the meeting of the Compensation Committee convened to grant the stock options, on the stock exchange where highest volumes are traded; or (b) the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange on which the shares of the company are listed. As of March 31, 2007, options (net of forfeited and cancelled) to purchase 54,582,747 equity shares have been granted to associates under this plan and warrants to purchase 34,606,537 equity shares have been exercised.

ASOP ADS

In May 2000, Satyam Computer Services established its Associate Stock Option Plan (ADS) (the 'ASOP (ADS)') to be administered by the Administrator of the ASOP (ADS) which is a committee appointed by the Board of Directors of Satyam Computer Services and reserved 5,149,330 ADSs (10,298,660 shares) to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the grant date. These warrants vest over a period of 1-10 years from the grant date. As of March 31, 2007, warrants (net of lapsed and cancelled) for 3,215,800 ADSs representing 6,431,600 equity shares have been granted to associates under the ASOP ADS since inception.

Under ASOP ADS, we periodically issue grants to eligible associates to purchase ADSs. The warrants issued under ASOP ADS can be granted at a price per option which is not less than 90% of the value of one ADS as reported on NYSE (fair market value) on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the day of grant. As of March 31, 2007, warrants (net of forfeited and cancelled) for 65,104,736 ADSs representing 130,209,472 equity shares have been granted to associates under the ASOP ADS, and warrants to purchase 65,104,736 ADSs representing 130,209,472 equity shares have been exercised.

In October 2005, our compensation committee approved amendments to our associate stock option plans (ASOP B and ASOP ADS) to allow for continuation of vesting of options upon retirement and accelerated vesting upon death. These amendments are applicable retrospectively for ASOP-B and prospectively for ASOP-ADS. Refer to Exhibits 4.2 and 4.3 to this Annual Report for a copy of the amended and restated plans.

Associate Stock Option Plan — Restricted Stock Units (ASOP – RSUs)

Table of Contents

In fiscal 2007, we established the “Associate Stock Option Plan — Restricted Stock Units,” or ASOP – RSUs, to be administered by the Administrator of the ASOP – RSUs, a committee appointed by the Board of Directors of the Company. Under the scheme 13 million equity shares are reserved to be issued to eligible associates at a price to be determined by the Administrator which shall not be less than the face value of the share. ASOP RSUs vest over a period of one to four years from the date of the grant. Upon vesting, associates have 5 years in which to exercise these warrants. As of March 31, 2007, warrants for 3,293,140 equity shares have been granted under the ASOP — RSUs

Associate Stock Option Plan — RSUs (ADS) (ASOP – RSUs(ADS))

In fiscal 2007, we established the “Associate Stock Option Plan — RSUs (ADS),” or ASOP-RSUs(ADS), to be administered by the Administrator of the ASOP – RSUs (ADS), a committee appointed by the Board of Directors of the Company. Under the scheme 13 million equity shares minus the number of shares issued from time to time under the ASOP — RSUs are reserved to be issued to eligible associates at a price to be determined by the Administrator not less than the face value of the share. These RSUs vest over a period of one to four years from the date of the grant. Upon vesting, associates have five years in which to exercise these warrants. As of March 31, 2007, warrants for 236,620 ADS representing 473,240 equity shares have been granted under the ASOP – RSUs (ADS).

Nipuna ESOP

In April 2004, Nipuna established its Employee Stock Option Plan (the “ESOP”). As per the ESOP, the options are granted at fair value as determined by an independent valuer as on the date of the grant and hence no compensation cost has been recognized. These options vest starting with 33.33% at the end of the second year, 33.33% at the end of the third year and remaining 33.34% at the end of the fourth year from the date of grant. As of March 31, 2007, options (net of forfeited and cancelled) for 998,702 equity shares have been granted to associates under the Nipuna ESOP, and no options to purchase equity shares have been exercised.

Board Practices

Board Composition

Our Articles of Association set the minimum number of directors at three and the maximum number of directors at 12. We currently have ten directors. The Companies Act and our Articles of Association require the following:

- at least two-thirds of our directors shall be subject to retirement; and
- in any given year, at least one-third of these directors who are subject to retirement shall retire and be eligible for re-election at the annual meeting of our shareholders.

B. Ramalinga Raju, B. Rama Raju and Ram Mynampati are permanent directors and are not subject to retirement by rotation. Dr. Mangalam Srinivasan, Krishna G. Palepu, Vinod K. Dham, V.P. Rama Rao, M Rammohan Rao, T.R. Prasad and V.S.Raju are the directors who are scheduled to retire by rotation.

Board Committees

The audit committee of board of directors reviews, acts on and reports to the board of directors with respect to various auditing and accounting matters, including the recommendation of our independent registered public accounting firm, the scope of the annual audits, fees to be paid to the independent registered public accounting firm, the adequacy and effectiveness of the accounting and financial controls of our company and our accounting practices. The members of the audit committee are M Rammohan Rao, Dr. Mangalam Srinivasan, T.R. Prasad and V.S. Raju each of whom is an independent director.

The compensation committee of the board of directors determines the salaries and benefits for our executive directors and the stock options for all associates. The members of the compensation committee are Dr. Mangalam Srinivasan, Vinod K Dham, M. Rammohan Rao and V.S. Raju each of whom is an independent director.

The investors’ grievance committee of the board of directors formed in January 2001 focuses on strengthening investor relations and

Table of Contents

addressing investors' concerns. The members of the committee are T.R. Prasad, and V.S Raju who are independent directors, and B. Rama Raju, our Managing Director and Chief Executive Officer.

Directors Compensation

Our Articles of Association provides that each of our directors shall receive a sitting fee not exceeding the maximum amount allowed under the Companies Act. Currently, our directors receive Rs.10,000 for every board or committee meeting. In addition, Independent directors receive compensation by way of commission for their service on our board of directors. Directors are reimbursed for travel and out-of-pocket expenses in connection with their attendance at board and committee meetings. In addition, special remuneration is paid to Mr.Krishna G Palepu for his professional services in his capacity as a non-executive director of our company in the amount of $0.2mn per fiscal.

Employment, Severance and Other Agreements

Our Articles of Association provides that directors are appointed by the shareholders by resolutions passed at general meetings; however, the board of directors has the power to appoint additional directors for a period up to the date of the next annual general meeting. There are no severance agreements with our key managerial personnel.

Employees

For a description of our employees, see "Item 4. Information on the Company – Employees."

Share Ownership

The following table sets forth information with respect to the beneficial ownership of our equity shares as of March 31, 2007 by each of our directors and all of our directors and executive officers as a group. The table gives effect to equity shares issuable within 60 days of March 31, 2007 upon the exercise of all options and other rights beneficially owned by the indicated shareholders on that date. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to equity shares. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all equity shares beneficially owned.

	Equity Shares Beneficially Owned	
Beneficial Owner	Number	Percent
B. Rama Raju	2,000(1)(2)	0.00
B. Ramalinga Raju	0(2)	0.00
Ram Mynampati	946,148	0.14
V.P. Rama Rao	—	—
Dr. Mangalam Srinivasan	—	—
Krishna G. Palepu	—	—
Vinod K Dham	—	—
M Rammohan Rao	—	—
T.R. Prasad	—	—
V.S. Raju	—	—
All directors and executive officers as a group	2,604,499	0.39

(1) Includes 1,000 equity shares held by B. Rama Raju's wife, B. Radha Raju. B. Rama Raju disclaims beneficial ownership of any equity shares held by B. Radha Raju.

(2) B. Ramalinga Raju and B. Rama Raju control SRSR Holdings Private Limited, which holds approximately 8.38% of our outstanding equity shares as of March 31, 2007.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Share Ownership

The following table sets forth certain information regarding beneficial ownership of our shares of Common Stock as of March 31, 2007 by all persons who are known to us to own five percent (5%) or more of the outstanding shares of Common Stock.

Beneficial ownership is determined in accordance with rules of the SEC, which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and includes equity shares issuable pursuant to the exercise of stock options or warrants that are immediately exercisable or exercisable within 60 days of 1,962,105. These shares are deemed to be outstanding and to be beneficially owned by the person holding those options or warrants for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, all information with respect to the beneficial ownership of any principal shareholder has been furnished by such shareholder and, unless otherwise indicated, we believe that persons named in the table have sole voting and sole investment power with respect to all the equity shares shown as beneficially owned. The share numbers and percentages listed below are based on [667,196,009] equity shares outstanding as of March 31, 2007.

As of March 31, 2007, 975,251 of our equity shares, representing 0.14% of our outstanding shares, were held by a total of 344 holders of record with addresses in the United States. As of March 31, 2007, we have issued 65,104,736 ADSs (representing 130,209,472 equity shares) and which represent 19.6% of our outstanding equity shares and which are held by approximately 35,400 beneficial holders.

Identity of Person or Group	Number	Percentage (%)
FMR Corp.[(1)]	59,495,832	8.95%
SRSR Holdings Private Limited[(2)]	55,728,000	8.38%

(1) Information based on a report on Schedule 13G jointly filed by FMR Corp. and Edward C. Johnson with the SEC on February 14, 2004 and as amended on February 14, 2005, February 14, 2006, August 10, 2006 and February 14, 2007. Based on Amendment No. 4 to the Schedule 13G filed by FMR Corp. and Edward C. Johnson with the SEC on February 14, 2007 FMR Corp. has sole voting power for 6,443,905 equity shares and sole dispositive power for 59,495,832 equity shares. Edward Johnson has sole voting and dispositive power for 59,495,832 equity shares.

(2) Information based upon a report on Schedule 13G filed by SRSR Holdings Private Limited, with the SEC on September 21, 2006.

Related Party Transactions

In October, 1999, we entered into a joint venture with Venture Global Engineering LLC, USA. The joint venture company, called Satyam Venture Engineering Services Private Limited or Satyam Venture, formed in January 2000, provides engineering services and computer services to the automotive industry. We hold a 50% stake in the joint venture company. For fiscal 2007, fiscal 2006 and fiscal 2005, we provided infrastructure and other services to Satyam Venture, which amounted to $0.5 million, $0.5 million and $0.3 million respectively. For fiscal 2007, fiscal 2006 and fiscal 2005, we received services from Satyam Venture, which amounted to $8.6 million, $8.6 million and $7.1 million respectively. As of March 31, 2007 and 2006, we owe $2.6 million and $1.8 million to Satyam Venture.

During fiscal 2007 and fiscal 2006, Sify, a company in which we used to hold 31.61% interest, rendered services to us aggregating to $Nil and $2.9 million, on terms which were no less favorable to us than could have been obtained from independent third parties. During fiscal 2006, Satyam sold its entire 31.61% stake in Sify.

ITEM 8. FINANCIAL INFORMATION

Financial Statements

We have elected to provide financial statements pursuant to Item 18 of Form 20-F.

Legal Proceedings

As of the date of this document, we are not a party to any legal proceedings that could reasonably be expected to seriously harm our company.

We had filed a request for arbitration with the London Court of International Arbitration (or LCIA) naming Venture Global Engineering LLC, USA (VGE) as respondent. The Arbitration concerned a dispute between us and VGE in connection with their joint venture, Satyam Venture Engineering Services Private Limited (or SVES). The LCIA Arbitrator issued his Final Award on April 3, 2006 in our favour. We has filed a petition to recognize and enforce the award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois. Our management believes that this will not have an adverse effect upon our results of operations, financial condition and cash flows.

Dividends

Although the amount varies, it is customary for public companies in India to pay cash dividends. Under Indian law, a corporation pays dividends upon a recommendation by the board of directors and approval by a majority of the shareholders, who have the right to decrease but not increase the amount of the dividend recommended, by the board of directors. However, approval of shareholders is not required for distribution of interim dividend. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. We paid out dividends of Rs 2602.70 million ($56.7 million), Rs1,820.5 million ($ 41.3 million), and Rs. 1,722.7 million ($37.6 million) in fiscal 2007, fiscal 2006 and fiscal 2005 respectively. These dividends include interim dividends for the current fiscal year and dividends paid with respect to previous fiscal year. Under Indian law, dividends are declared with respect to the shares outstanding during the prior fiscal year and are paid in the subsequent fiscal year after approval by shareholders in the annual general meeting. The dividend is paid on the outstanding shares as at the end of fiscal year and is prorated for shares issued during the fiscal year to take into account the amount of time such shares have been issued. Although, we have no current intention to discontinue dividend payments, we cannot assure you that any future dividends will be declared or paid or that the amount thereof will not be decreased.

Holders of ADSs will be entitled to receive dividends payable in respect of the equity shares represented by such ADSs. Cash dividends in respect of the equity shares represented by the ADSs will be paid to the depositary in rupees and, will generally be converted by the depositary into U.S. dollars and distributed, net of depositary fees and expenses, to the holders of such ADSs

ITEM 9. THE OFFER AND LISTING

Trading Markets

Our equity shares are traded in India on BSE and NSE. Our ADSs evidenced by American Depositary Receipts, or ADRs, are traded in the United States on the NYSE under the symbol “SAY”. Each ADS represents two equity shares. The ADRs evidencing ADSs were issued by our depositary, Citibank, N.A., pursuant to a deposit agreement.

The number of our outstanding equity shares (including the underlying shares for ADSs) as of March, 31, 2007 was 667,196,009. As of March 31, 2007, there were 65,104,736 ADSs outstanding (representing 130,209,472 equity shares).

Price History

The information presented in the table below represents, for the periods indicated: (1) the reported high and low sales prices quoted in Indian rupees for the equity shares on the BSE; and (2) the imputed high and low sales prices for the equity shares based on such high and low sales prices, translated into U.S. dollars based on the noon buying rate on the last date of each period presented.

Annual high and low market prices

	Rupee price per equity share(1)		U.S. dollar price per equity share	
Fiscal year ended March 31,(2)	**High**	**Low**	**High**	**Low**
2003	145.93	87.55	3.07	1.84
2004	195.50	63.65	4.50	1.47
2005	221.00	125.00	5.07	2.87
2006	431.00	182.20	9.69	4.10
2007	524.90	270.50	12.18	6.28
2008 (through April 20, 2007)	495.90	435.00	11.88	10.20
Fiscal 2006:				
First Quarter	258.73	182.20	5.95	4.19
Second Quarter	283.00	237.20	6.44	5.40
Third Quarter	370.50	271.50	8.24	6.04
Fourth Quarter	431.00	356.50	9.69	8.01
Fiscal 2007:				
First Quarter	445.00	270.50	9.70	5.90
Second Quarter	432.00	325.68	9.40	7.09
Third Quarter	498.10	396.00	11.29	8.98
Fourth Quarter	524.90	404.00	12.18	9.37
Fiscal 2008:				
First Quarter (Through April 20, 2007)	495.90	435.00	11.88	10.20
Monthly prices:				
October 2006	453.00	396.00	10.09	8.82
November 2006	484.00	412.05	10.85	9.24
December 2006	498.10	435.30	11.29	9.87
January 2007	524.90	454.00	11.91	10.30
February 2007	495.50	404.00	11.24	9.17
March 2007	474.80	409.30	11.02	9.50
April 2007 (Though April 20, 2007)	495.90	435.00	11.88	10.20

(1) Data derived from the BSE website. The prices and volumes quoted on the NSE may be different.

(2) For comparative purposes, the price per equity share data above is adjusted for the October 10, 2006 one-for-one stock split

Table of Contents

Our ADSs commenced trading on the New York Stock Exchange on May 15, 2001, at an initial offering price of $9.71 per ADS. The tables below set forth, for the periods indicated, high and low trading prices for our ADS.

	U.S. dollar Price per ADS	
	High	**Low**
Fiscal		
2003	6.75	3.97
2004	17.68	3.63
2005	14.25	8.00
2006	21.95	10.50
2007	25.94	13.98
2008 (through April 20, 2007)	26.20	22.04
Fiscal 2006		
First Quarter	13.39	10.50
Second Quarter	15.31	12.88
Third Quarter	18.72	14.13
Fourth Quarter	21.95	18.30
Fiscal 2007		
First Quarter	22.25	13.98
Second Quarter	20.50	15.34
Third Quarter	24.50	19.29
Fourth Quarter	25.94	19.35
Monthly prices		
September 2006	20.50	18.60
October 2006	22.67	19.29
November 2006	24.42	20.70
December 2006	24.50	22.11
January 2007	25.94	22.28
February 2007	24.55	20.55
March 2007	23.33	19.35
April 2007 (through April 20, 2007)	26.20	22.04

ITEM 10. ADDITIONAL INFORMATION

Corporate Governance

We are subject to the NYSE listing standards, although, because we are a foreign private issuer, those standards are considerably different from those applied to U.S. companies. Under the NYSE rules, we need only (i) establish an independent audit committee that has specified responsibilities as described in the following table; (ii) provide prompt certification by our chief executive officer of any material non-compliance with any corporate governance rules; (iii) provide periodic written affirmations to the NYSE with respect to our corporate governance practices; and (iv) provide a brief description of significant differences between our corporate governance practices and those followed by U.S. companies.

The following table compares our principal corporate governance practices to those required of U.S. companies.

Table of Contents

Standard for U.S. Listed Companies	Our Practice
Director Independence	
• A majority of the board must consist of independent directors.	• Six of our ten directors, namely Mr. VP Rama Rao, Dr. Mangalam Srinivasan, Mr. Vinod K Dham, Mr. M Rammohan Rao, Mr. T.R. Prasad and Mr. V.S. Raju are independent within the meaning of the NYSE standards.
Independence is defined by various criteria including the absence of a material relationship between the director and the listed company. For example, directors who are employees, are immediate family of the chief executive officer or receive over $100,000 per year in direct compensation from the listed company are not independent. Directors who are employees of or otherwise affiliated through immediate family with the listed company's independent auditor are also not independent.	
• The non-management directors of each company must meet at regularly scheduled executive sessions without management.	• Our non-management directors do not meet periodically without management directors.
Audit Committee	
• Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Securities Exchange Act. The rule requires that the audit committee (i) be comprised entirely of independent directors; (ii) be directly responsible for the appointment, compensation and oversight of the independent auditor; (iii) adopt procedures for the receipt and treatment of complaints with respect to accounting and auditing issues; (iv) be authorized to engage independent counsel and other advisors it deems necessary in performing its duties; and (v) be given sufficient funding by the board of directors to compensate the independent auditors and other advisors as well as for the payment of ordinary administrative expenses incurred by the committee.	• We have an audit committee which meets all of the requirements of Rule 10A-3.
• The audit committee must consist of at least three members, and each member must be independent within the meaning established by the NYSE.	• Our audit committee consists of four members and all the members are independent under the NYSE's rules.

Standard for U.S. Listed Companies	Our Practice
• The audit committee must have a written charter that addresses the committee's purpose and responsibilities. At a minimum, the committee's purpose must be to assist the board in the oversight of the integrity of the company's financial statements, the company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence and the performance of the company's internal audit function and independent auditors. The audit committee is also required to review the independent auditing firm's annual report, describing the firm's internal quality control procedures, any material issues raised by the most recent internal quality control review or peer review of the firm and any steps taken to address such issues. The audit committee is also to assess the auditor's independence by reviewing all relationships between the company and its auditor. It must establish the company's hiring guidelines for employees and former employees of the independent auditor. The committee must also discuss the company's annual audited financial statements and quarterly financial statements with management and the independent auditors, the company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, and policies with respect to risk assessment and risk management. It must also meet periodically with the internal auditors and the board of directors.	Our audit committee has a charter outlining the committee's purpose and responsibilities.
• Each listed company must have disclosed whether their board of directors has identified an Audit Committee Financial Expert, and if not the reasons why the board has not done so.	• We do not have an individual serving on out audit committee as an "Audit Committee Financial Expert," as defined in applicable rules of the Securities and Exchange Commission. This is because our board of directors has determined that no individual audit committee member possesses all of the attributes required by the definition of "Audit Committee Financial Expert."
• Each listed company must have an internal audit function.	• We have a separate department for our internal audit function.

Standard for U.S. Listed Companies	Our Practice
Compensation Committee	
• Listed companies must have a compensation committee composed entirely of independent board members as defined by the NYSE listing standards.	• Our compensation committee has four members, each of whom is independent within the meaning of the NYSE standards.
• The committee must have a written charter that addresses its purpose and responsibilities. These responsibilities include (i) reviewing and approving corporate goals and objectives relevant to CEO compensation; (ii) evaluating CEO performance and compensation in light of such goals and objectives for the CEO; (iii) based on such evaluation, reviewing and approving CEO compensation levels; (iv) recommending to the board non-CEO compensation, incentive compensation plans and equity-based plans; and (v) producing a report on executive compensation as required by the Securities and Exchange Commission to be included in the company's annual proxy statement or annual report. The committee must also conduct an annual performance self-evaluation.	• Our compensation committee reviews among other things our general compensation structure, and reviews and recommends the compensation and benefits of directors and the chief executive officer, subject to ratification by the Board of Directors.
Nominating/Corporate Governance Committee	
• Listed companies must have a nominating/corporate governance committee composed entirely of independent board members. The committee must have a written charter that addresses its purpose and responsibilities, which include (i) identifying qualified individuals to become board member; (ii) selecting, or recommending that the board select, the director nominees for the next annual meeting of shareholders; (iii) developing and recommending to the board a set of corporate governance principles applicable to the company; (iv) overseeing the evaluation of the board and management; and (v) conducting an annual performance evaluation of the committee.	• We do not have a nominating/corporate governance committee.
Equity-Compensation Plans	
• Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exceptions.	• The Company is in compliance with this requirement.
Corporate Governance Guidelines	
• Listed companies must adopt and disclose corporate governance guidelines.	• We are fully compliant with Clause 49 of the listing agreement of Indian Stock Exchanges, with regard to corporate governance guidelines. We publish a report on corporate governance in annual report which is distributed to our domestic shareholders and ADS holders annually.
Code of Business Conduct and Ethics	
• All listed companies, U.S. and foreign, must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.	• We have adopted a Code of Business Conduct and Ethics Policy, which is available at www.satyam.com.

Memorandum and Articles of Association

The following are summaries of our Articles of Association and Memorandum of Association and the Companies Act which govern our affairs. Our Articles of Association provides that the regulations contained in Table "A" of the Companies Act apply to our company, so long as the regulations do not conflict with the provisions of our Articles of Association. We have filed complete copies of our Memorandum of Association and Articles of Association, as well as Table "A" of the Companies Act, as exhibits to our Registered Statements. See exhibit index.

Objects and Purposes

Under our Memorandum of Association, the main objectives of our company include, but are not limited to:

(i) manufacturing and selling computer systems, peripherals, accessories, consumables and other computer Products

(ii) designing and developing computer systems and applications software for our own use and for sale and designing and developing systems and applications software for or on behalf of manufacturers, owners and users of computer systems and digital or electronic equipment; and

(iii) providing electronic data processing centers, word processing, software consultancy, system studies, management consultancy, feasibility studies and computer training

Board of Directors

At each annual general meeting at least, one-third of our directors must retire from office by rotation. A retiring director is eligible for re-election and the directors to retire every year are those who have been longest in office since their last re-election or appointment. No shares are required to be held by a director for qualification as a director. In addition, save in respect of the following managerial personnel, there are no age-limit requirements for serving on our board of directors. Under the Companies Act, no person under the age of 25 or over the age of 70 is eligible for appointment as a managing director or a whole-time director or a manager of our Company, provided that persons under the age of 25 or over age 70 may be appointed with either the approval of our shareholders by a special resolution or with the approval of the Central Government. Under the Companies Act, our directors must refrain from participating in discussions and voting on any matters in which they are interested party. In addition, directors are also required to disclose such interests, if any, at meetings of the board of directors.

Managerial remuneration

Under the Companies Act, the remuneration payable to our directors is to be determined either by the articles of the company or by an ordinary resolution passed by the company in the general meeting, unless the articles require a special resolution for the same.

As a public company, the total managerial remuneration in any year cannot exceed 11% of our profits in that year. In addition, the remuneration payable to a managing or any whole-time director in any year cannot exceed 5% of our net profits in that year. If there is more than one managing or whole-time director, then the aggregate remuneration to all of them cannot exceed 10% of our net profits.

In addition, where a company has made no or inadequate profits, there are additional limits on the maximum remuneration payable to the directors. Approval of the Central Government would be required for payment of remuneration in excess of the limits prescribed.

Under our Articles of Association, our board of directors may, at its discretion and by means of a resolution, borrow funds on behalf of the company, create mortgages or liens on the company's property or uncalled capital and issue debentures. However, the Companies Act imposes some restrictions on the powers of the board to act without the consent of the shareholders including, for example, the ability to borrow money beyond the aggregate of our paid up capital and free reserves.

Equity Shares

Our authorized share capital is 800,000,000 equity shares, par value Rs. 2 per share. The equity shares are our only class of share capital. However, our Articles of Association and the Companies Act permit us to issue preference shares in addition to the equity shares. The rights attached to a class of shares may, subject to the provisions of the Companies Act, be varied only with either the written consent of the holders of 75% of the issued shares of that class or by special resolution passed at a separate meeting of the holders of that class.

Our equity shares are under the control of our board of directors, who may, with prior approval from the shareholders at a general meeting, allot or otherwise dispose of new equity shares in its discretion, including allotments of shares at a premium or discount in accordance with the provisions of the Companies Act. Our Articles of Association permit our board of directors to make calls on our equity shares, but only in respect of unpaid amounts on equity shares which are not fully paid-up. All of our issued and outstanding equity shares are fully paid-up.

Table of Contents

Dividends

We paid out dividends of Rs 2,602.70 million ($56.7 million), Rs1,820.5 million ($41.3 million), Rs. 1,722.7 million ($37.6 million) in fiscal 2007, fiscal 2006 and fiscal 2005 respectively.

Under the Indian Companies Act, unless our board of directors recommends the payment of a dividend, we may not declare a dividend. Similarly, under our Articles of Association, although the shareholders may, at the annual general meeting, approve a dividend in an amount less than that recommended by the board, they cannot increase the amount of the dividend. In India, dividends generally are declared as a percentage of the par value of a company's equity shares. The dividend recommended by the board, if any, and subject to the limitations described above, is distributed and paid to shareholders in proportion to the paid up value of their shares within 30 days of the approval by the shareholders at the annual general meeting. Pursuant to our Articles of Association and the Companies Act, our board has discretion to declare and pay interim dividends without shareholder approval. With respect to equity shares issued during a particular fiscal year (including any equity shares underlying ADSs issued to the depositary), cash dividends declared and paid for such fiscal year generally will be prorated from the date of issuance to the end of such fiscal year. Under the Companies Act, dividends can only be paid in cash to the registered shareholder at a record date fixed during or before the annual general meeting or to his order or his banker's order.

Under the Indian Companies Act, dividends and interim dividends may be paid out of profits of a company in the year in which the dividend and/or interim dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend and/or interim dividend greater than 10.0% of the par value of its equity shares, a company is required under the Companies Act to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10.0% depending upon the dividend percentage to be declared in such year. The Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, a dividend and/or interim dividend may be declared for such year out of the accumulated profits, subject to the following conditions:

(i) the rate of dividend to be declared may not exceed 10.0% of its paid up capital or the average of the rate at which dividends were declared by the company in the prior five years, whichever is less

(ii) the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves may not exceed an amount equivalent to 10.0% of its paid up capital and free reserves, and the amount so drawn is to be used first to set off the losses incurred in the fiscal year before any dividends in respect of preference or equity shares are declared; and

(iii) the balance of reserves after withdrawals shall not fall below 5.0% of its paid up capital

For additional information regarding dividends, please see "Item 8. Financial Information"

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act permits us to distribute an amount transferred from the general reserve or surplus in our profit and loss account to our shareholders in the form of bonus shares, which are similar to a stock dividend. The Companies Act also permits the issuance of bonus shares from a share premium account. Bonus shares are distributed to shareholders in the proportion recommended by the board. Shareholders of record on a fixed record date are entitled to receive such bonus shares. The last bonus shares issued by us was in October 2006.

Preemptive Rights and Issue of Additional Shares

The Companies Act gives shareholders the right to subscribe for new shares in proportion to their respective existing shareholding unless otherwise determined by a special resolution passed by a general meeting of the shareholders. For approval, a special resolution must be approved by a number of votes which is not less than three times the number of votes against the special resolution.

If we issue equity shares and a special resolution is not approved by our shareholders, the new shares must first be offered to the existing shareholders as of a fixed record date. The offer must include: (1) the right, exercisable by the shareholders of record, to renounce the shares offered in favor of any other person; and (2) the number of shares offered and the period of the offer, which may not be less than 15 days from the date of offer. If the offer is not accepted it is deemed to have been declined. Our board is authorized under the Companies Act to distribute any new shares not purchased by the preemptive rights holders in the manner that it deems most beneficial to our company.

Annual General Meetings of Shareholders

We must convene an annual general meeting of shareholders within six months after the end of each fiscal year to adopt the accounts for such fiscal year and to transact other businesses and may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding at least 10.0% of our paid up capital carrying voting rights. The annual general meeting of the shareholders is generally convened by our Company Secretary pursuant to a resolution of the board. Written notice setting out the agenda of the meeting must be given at least 21 days (excluding the day of mailing) before the date of the general meeting to the shareholders on record. Shareholders who are registered as shareholders on the date of the general meeting are entitled to attend or vote at such meeting. Our Articles of Association provides that a quorum for a general meeting is the presence of at least five shareholders in person.

The annual general meeting of shareholders must be held at our registered office or at such other place within the city in which the registered office is located; meetings other than the annual general meeting may be held at any other place if so determined by the board. Our registered office is located at Mayfair Centre, S P Road, Secunderabad 500 003, Andhra Pradesh, India.

Voting Rights

At any general meeting, voting is by show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least 10.0% of the total shares entitled to vote on the resolution or by those holding shares with an aggregate paid up value of at least Rs.50,000. Upon a show of hands, every shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid up capital held by such shareholder. The chairman of our board has a deciding vote in the case of any tie.

Any shareholder may appoint a proxy. The instrument appointing a proxy must be delivered to us at least 48 hours before the meeting. A proxy may not vote except on a poll. A corporate shareholder may appoint an authorized representative who can vote on behalf of the shareholder, both upon a show of hands and upon a poll.

Ordinary resolutions may be passed by simple majority of those present and voting at any general meeting for which the required period of notice has been given. However, special resolutions such as amendments to our Articles of Association and the object clause of the Memorandum of Association, commencement of a new line of business, the waiver of preemptive rights for the issuance of any new shares and a reduction of share capital, require that votes cast in favor of the resolution (whether by show of hands or poll) are not less than three times the number of votes, if any, cast against the resolution. Under a recent amendment to the Indian Companies Act, certain resolutions may and certain resolutions must be passed by means of a postal ballot instead of a vote at a meeting of shareholders.

Audit and Annual Report

At least 21 days before the date of the annual general meeting of shareholders (excluding the day of mailing), we must distribute to our shareholders our audited balance sheet and profit and loss account and the related reports of the board and the auditors, together with a notice convening the annual general meeting. Under the Companies Act, we must file the balance sheet and annual profit and loss account presented to the shareholders within 30 days of the conclusion of the annual general meeting with the Registrar of Companies in Andhra Pradesh, India, which is the state in which our registered office is located. We must also file an annual return containing a list of our shareholders and other information, within 60 days of the conclusion of the meeting.

Register of Shareholders; Record Dates; Transfer of Shares

We maintain a register of shareholders at our registered office. For the purpose of determining the shares entitled to annual dividends, the register is closed for a specified period before the annual general meeting. The date on which this period begins is the record date.

To determine which shareholders are entitled to specified shareholder rights, we may close the register of shareholders. The Companies Act and our listing agreements with the Indian stock exchanges require us to give at least seven days’ and fifteen days’ prior notice respectively to the public before such closure. We may not close the register of shareholders for more than 30 consecutive days, and in no event for more than 45 days in a year.

Following the introduction of the Depositories Act, 1996, and the repeal of Section 22A of the Securities Contracts (Regulation) Act, 1956, which enabled companies to refuse to register transfers of shares in some circumstances, the equity shares of a public company are freely transferable, subject only to the provisions of Section 111A of the Companies Act. Because we are a public company, the provisions of Section 111A apply to us. Our Articles currently contain provisions which give our directors discretion to refuse to register a transfer of shares in some circumstances. According to our Articles, our directors are required to exercise this right in the best interests of our company. While our directors are not required to provide a reason for any such refusal in writing, they must give notice of the refusal to the transferee within one month after receipt of the application for registration of transfer by our company. In accordance with the provisions of Section 111A (2) of the Companies Act, our directors may exercise this discretion if they have sufficient cause to do so. If our directors refuse to register a transfer of shares, the shareholder wishing to transfer his, her or its shares may file a civil suit or an appeal with the Company Law Board, or CLB. Pursuant to Section 111A (3) of the Companies Act, if a transfer of shares contravenes any of the provisions of the Securities and Exchange Board of India Act, 1992 or the regulations issued thereunder or the Sick Industrial Companies (Special Provisions) Act, 1985 or any other Indian laws, the CLB may, on application made by the company, a depositary incorporated in India, an investor, the Securities and Exchange Board of India or other parties, direct the rectification of the register of records. The CLB may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. Notwithstanding such investigation, the rights of a shareholder to transfer the shares will not be restricted. There are no maximum limits on foreign direct equity participation in the business in which our Company is engaged. With regard to share transfers, if a person resident outside India were to sell its shares to a person resident in India, approval of the RBI would be required unless the sale is made on a stock exchange or in connection with an offer made under the regulations regarding takeovers. For additional information regarding ownership restrictions, please see “Investment by Foreign Institutional Investors” below.

Under the Companies Act, unless the shares of a company are held in a dematerialized form, a transfer of shares is effected by a duly stamped instrument of transfer in the form prescribed by the Companies Act and the rules there under together with delivery of the share certificates. We have entered into listing agreements with two of the Indian Stock exchanges: Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. Clause 40A of each of the listing agreements provides that if an acquisition of a listed company’s shares results in the acquirer and its associates holding 5.0% or more of the company’s outstanding equity shares or voting rights, the acquirer must report its holding to the company and the relevant stock exchanges. If an acquisition results in the acquirer and its associates holding equity shares that have 15.0% or more of the voting rights, then the acquirer must, before acquiring such equity shares, make an offer, in accordance with clause 40B of the listing agreements, on a uniform basis to all remaining shareholders of the company to acquire equity shares that have at least an additional 20.0% of the voting rights of the total equity shares of the company at a prescribed price. The acquisition of shares of a company listed on an Indian stock exchange may be subject to regulations governing takeovers of Indian companies. Although clauses 40A and 40B and such regulations will not apply to the equity shares so long as they are represented by ADSs, holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the deposit agreements.

Disclosure of Ownership Interest

Section 187C of the Companies Act requires beneficial owners of shares of Indian companies who are not holders of record to declare to us details of the holder of record and the nature and details of the beneficial owner’s interest in the shares. Any person who fails to make the required declaration within 30 days may be liable for a fine of up to Rs. 1,000 for each day the declaration is not made. Any lien, promissory note or other collateral agreement created, executed or entered into with respect to any equity share by its registered owner, or any hypothecation by the registered owner of any equity share, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner if such declaration is not made. Failure to comply with Section 187C will not affect our obligation to register a transfer of shares or to pay any dividends to the registered holder of any shares pursuant to which the declaration has not been made. While it is unclear under Indian law whether Section 187C applies to holders of ADSs, investors who exchange ADSs for the underlying equity shares will be subject to the restrictions of Section 187C. Additionally, holders of ADSs may be required to comply with the notification and disclosure obligations pursuant to the provisions of the deposit agreement covering the ADSs.

Table of Contents

Company Acquisition of Equity Shares

Under the Companies Act, approval of at least 75.0% of our shareholders voting on the matter and approval of the High Court of Andhra Pradesh is required to reduce our share capital. We may, under some circumstances, acquire our own equity shares without seeking the approval of the High Court. However, we would have to extinguish any shares we have so acquired within the prescribed time period. Generally, a company is not permitted to acquire its own shares for treasury operations. An acquisition of our own shares (without having to obtain the approval of the High Court) must comply with prescribed rules, regulations and conditions as laid down in the Companies Act and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, or Buy-back Regulations.

Liquidation Rights

Subject to the rights of creditors, employees and the holders of any shares entitled by their terms to preferential repayment over the equity shares, if any, in the event of our winding-up the holders of the equity shares are entitled to be repaid the amounts of paid up capital or credited as paid up on those equity shares. All surplus assets after payments due to the holders of any preference shares at the commencement of the winding-up shall be paid to holders of equity shares in proportion to their shareholding.

Takeover Code

Under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, or Takeover Code, upon the acquisition of more than 5% or 10% or 14% or 54% or 74% of the outstanding shares or voting rights of a publicly-listed Indian company, a purchaser is required to notify the company, and the company and the purchaser are required to notify all the stock exchanges on which the shares of such company are listed. Further, the Takeover Code requires that any person holding more than 15% and less than 55% of the shares or voting rights in a company, upon the sale or purchase of 2% or more of the shares or voting rights of the company, is required to notify the company and all the stock exchanges where the shares are listed. A holder of ADSs would be subject to these notification requirements.

Upon the acquisition of 15% or more of such shares or voting rights, or a change in control of the company, the purchaser is required to make an open offer to the other shareholders, offering to purchase at least 20% of all the outstanding shares of the company at a minimum offer price determined pursuant to the Takeover Code. Since we are

a listed company in India, the provisions of the Takeover Code will apply to us and to any person acquiring our equity shares or voting rights in our company. However, the Takeover Code provides for a specific exemption from this provision to a holder of ADSs and states that this provision will apply to a holder of ADSs only once he or she converts the ADSs into the underlying equity shares.

Material Contracts

Except as described herein, we have not entered into any material contracts in the two years preceding the date of this Annual Report, other than contracts entered into in the ordinary course of business.

Exchange Controls

General

Prior to June 1, 2000, investment in Indian securities was regulated by the Indian Foreign Exchange Regulation Act, 1973. Under Section 29(1)(b) of the Indian Foreign Exchange Regulation Act, 1973, no person or company resident outside India that is not incorporated in India (other than a banking company) could purchase the shares of any company carrying on any trading, commercial or industrial activity in India without the permission of the Reserve Bank of India. Also, under Section 19(1)(d) of the Indian Foreign Exchange Regulation Act, 1973, the transfer and issuance of any security of any Indian company to a person resident outside India required the permission of the Reserve Bank of India. Under Section 19(5) of the Indian Foreign Exchange Regulation Act, 1973, no transfer of shares in a company registered in India by a non-resident to a resident of India was valid unless the transfer was confirmed by the Reserve Bank of India upon application filed by the transferor or the transferee. Furthermore, the issuance of rights and other distributions of securities to a non-resident also requires the prior consent of the Reserve Bank of India. However, the Reserve Bank of India has issued notifications over the past few years relaxing the restrictions on foreign investment in Indian companies.

As of June 1, 2000, the Indian Foreign Exchange Regulation Act, 1973 was replaced by the Indian Foreign Exchange Management Act, 1999. The Indian Foreign Exchange Management Act, 1999 contains provisions regarding current account convertibility and amendments to the definition of a resident of India. However, some of the preexisting controls and restrictions on capital account transactions remain in force. While many of the restrictions imposed by the Indian Foreign Exchange Regulation Act, 1973 have been relaxed under this new legislation, the Notifications and Guidelines issued by the Reserve Bank of India which are not inconsistent with the Indian Foreign Exchange Management Act, 1999 continue to be in force. The purchase and the transfer of shares of Indian companies continues to be regulated by the RBI. Therefore, transaction involving foreign investment in Indian securities is regulated by the provisions of the Indian Foreign Exchange Management Act, 1999 and continues to be regulated by the Reserve Bank of India.

ADR Guidelines

Shares of Indian companies represented by ADSs are no longer required to be approved for issuance to foreign investors by either Ministry of Finance or the RBI under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993, as modified from time to time, notified by the GoI. This change was effected through the guidelines for ADR and GDR issues by Indian companies issued by the Ministry of Finance on January 19, 2000 and a notification issued by the Reserve Bank of India. Hence we do not require the approval of the Ministry of Finance and the Reserve Bank of India under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993. However, we will be required to furnish full particulars of the issue, including the underlying equity shares representing the ADRs, to the Ministry of Finance and the Reserve Bank of India within 30 days of the completion of an offering.

The Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme is distinct from other policies or facilities, as described below, relating to investments in Indian companies by foreign investors. The issuance of ADSs pursuant to the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme also affords to owners of ADSs the benefits of Section 115AC of the Indian Income-tax Act, 1961 for purposes of the application of Indian tax law. The GoI does not restrict the payment of dividends to the holders of our ADSs or equity shares, whether or not such holders reside in India. For additional information, please see "Taxation—Indian Taxation" below.

Foreign Direct Investment

Currently, due to recent changes in Indian policy, subject to certain exceptions, foreign direct investment and investment by individuals of Indian nationality or origin residing outside India and non-resident Indians in Indian companies do not require the approval of the Foreign Investment Promotion Board, or FIPB, a body formed by the GoI to negotiate with large foreign companies interested in making long-term investments in India. Furthermore, henceforth no prior approval of the RBI is required although a post-investment declaration in giving details of the foreign investment in the company pursuant to the ADR issue must be filed with the Reserve Bank of India within thirty days of an ADR offering. In cases where FIPB approval is obtained, no prior approval of the Reserve Bank of India is required, although a declaration in the prescribed form as mentioned above must be filed with the Reserve Bank of India once the foreign investment is made in the Indian company. In cases where no prior approval of the FIPB is required, prior approval of the Reserve Bank of India would also not be required. However, a declaration in the prescribed form giving details of the foreign investment must be filed with the Reserve Bank of India once the foreign investment is made in the Indian company.

In May 1994, the GoI announced that purchases by foreign investors of ADSs and foreign currency convertible bonds of Indian companies will be treated as foreign direct investment in the equity issued by Indian companies for such offerings. In November 1998, the Reserve Bank of India issued a notification to the effect that foreign investment in preferred shares will be considered as part of the share capital of a company and the provisions relating to foreign direct investment in the equity shares of a company discussed above would apply. Investments in preferred shares are included as foreign direct investment for the purposes of sectoral caps on foreign equity, if such preferred shares carry a conversion option. If the preferred shares are structured without a conversion option, they would fall outside the foreign direct investment limit. The discussion on the foreign direct investment regime in India set forth above applies only to a new issuance of shares made by Indian companies, not to a transfer of shares.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India and non-resident Indians. These facilities permit non-resident Indians to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. These facilities are different and distinct from investments by foreign direct investors described above. Apart from portfolio investments in Indian companies, non-resident Indians may also invest in Indian companies through foreign direct investments. For additional information, see "—Foreign Direct Investment". Under the foreign direct investment rules, non-resident Indians may invest up to 100% in high-priority industries in which other foreign investors are permitted to invest only up to 50%, 51%, 74% or 100%, depending on the industry category.

Investment by Foreign Institutional Investors

In September 1992, the GoI issued guidelines which enable Foreign Institutional Investors, or FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to invest in all the securities traded on the primary and secondary markets in India. Under the guidelines, FIIs are required to obtain an initial registration from the Securities and Exchange Board of India, or SEBI, and a general permission from the Reserve Bank of India to engage in transactions regulated under the Foreign Exchange Management Act. FIIs must also comply with the provisions of the SEBI Foreign Institutional Investors Regulations, 1995. When it receives the initial registration, the FII also obtains general permission from the Reserve Bank of India to engage in transactions regulated under the Foreign Exchange Management Act. Together, the initial registration and the Reserve Bank of India's general permission enable the registered FII to: (i) buy (subject to the ownership restrictions discussed below) and sell unrestricted securities issued by Indian companies; (ii) realize capital gains on investments made through the initial amount invested in India; (iii) participate in rights offerings for shares; (iv) appoint a domestic custodian for custody of investments held; and (v) repatriate the capital, capital gains, dividends, interest income and any other compensation received pursuant to rights offerings of shares. The current policy with respect to purchase/sale of securities of an Indian company by an FII is enshrined in Schedule 2 and Regulation 5(2) of the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2000. Apart from making portfolio investments in Indian Companies as described above, foreign institutional investors may direct foreign investments in Indian Companies. For additional information, please see "—Foreign Director Investment."

Ownership Restrictions

The Securities and Exchange Board of India and Reserve Bank of India regulations, restrict investments in Indian companies by FIIs and NRIs or collectively, Foreign Direct Investors. Under the current SEBI regulations applicable to us, subject to the requisite approvals of the shareholders in a general meeting, Foreign Direct Investors in aggregate may hold no more than 49% of a company's equity shares, excluding the equity shares underlying the ADSs. Pursuant to Notification No. FEMA.45/2001-RB dated September 20, 2001 under Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) (Amendment) Regulations, 2001, upon obtaining the approval of the shareholders by a special resolution, the limit of FII investment in a company may be increased to 100% for companies in the IT industry. Furthermore, SEBI regulations provide that no single FII may hold more than 10% of a company's total equity shares.

There is uncertainty under Indian law about the tax regime applicable to foreign institutional investors that hold and trade ADSs. Foreign institutional investors are urged to consult with their Indian legal and tax advisers about the relationship between the foreign institutional investor regulations and the ADSs and any equity shares withdrawn upon surrender of ADSs.

Detailed provisions relating to FII investment have been introduced by the SEBI with the introduction of the SEBI Foreign Institutional Investors Regulations, 1995. These provisions relate to the registration of FIIs, their general obligations and responsibilities, and certain investment conditions and restrictions. One such restriction is that the total investment in equity and equity-related instruments should not be less than 70% of the aggregate of all investments of an FII in India. The SEBI has also permitted private placements of shares by listed companies with FIIs, subject to the prior approval of the Reserve Bank of India under the Foreign Exchange Management Act. Such private placements must be made at the average of the weekly highs and lows of the closing price over the preceding six months or the preceding two weeks, whichever is higher.

Under the Takeover Code, which replaced the 1994 Takeover Code (as defined herein), upon the acquisition of more than 5% or 10% or 14% or 54% or 74% of the outstanding shares of a public Indian company, a purchaser is required to notify the company and the company and the purchasers are required to notify to all the stock exchanges on which the shares of the company are listed. Upon the acquisition of 15% or more of such shares or a change in control of the company, the purchaser is required to make an open offer to the other shareholders offering to purchase at least 20% of all the outstanding shares of the company at a minimum offer price as determined pursuant to the rules of the Takeover Code. Upon conversion of ADSs into equity shares, a holder of ADSs will be subject to the Takeover Code.

Open market purchases of securities of Indian companies in India by Foreign Direct Investors above the ownership levels set forth above require GoI approval on a case-by-case basis.

Voting Rights of Deposited Equity Shares Represented by ADSs

Holders of ADSs generally have the right under the deposit agreement to instruct the depositary bank to exercise the voting rights for the equity shares represented by the related ADSs. At our request, the depositary bank will mail to the holders of ADSs any notice of stockholders' meeting received from us together with information explaining how to instruct the depositary bank to exercise the voting rights of the securities represented by ADSs. If the depositary bank timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities represented by the holder's ADSs in accordance with such voting instructions. In the event that voting takes place by a show of hands, the depositary bank will cause the custodian to vote all deposited securities in accordance with the instructions received by holders of a majority of the ADSs for which the depositary bank receives voting instructions. Please note that the ability of the depositary bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that ADS holders will receive voting materials in time to enable them to return voting instructions to the depositary bank in a timely manner. Securities for which no voting instructions have been received will not be voted.

Taxation

The following summary of the material Indian and United States federal income and estate tax consequences of an investment in our ADSs is based upon laws and relevant interpretations thereof in effect as of the date of this document, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our equity stock, such as the tax consequences under state, local and other tax laws.

Indian Taxation

General. The following is a summary of the principal Indian tax consequences for holders of ADSs and equity *shares* received upon withdrawal of such equity shares who are not resident in India, whether of Indian origin or not. The following is based on the provisions of the Income-tax Act, 1961, including the special tax regime contained in Section 115AC and 115ACA of the Income-tax Act and the 1993 Regulations as amended on January 19, 2000. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of Section 115AC and 115ACA may be amended or changed by future amendments of the Income-tax Act.

We believe this information is materially complete as of the date hereof. However, this summary is not intended to constitute a complete analysis of the individual tax consequences to non-resident holders under Indian law for the acquisition, ownership and sale of ADSs and equity shares. Personal tax consequences of an investment may vary for non-resident holders in various circumstances, and potential investors should therefore consult their own tax advisors on the tax consequences of such acquisition, ownership and sale, including specifically the tax consequences under the law of the jurisdiction of their residence and any tax treaty between India and their country of residence.

Residence. For purposes of the Income-tax Act, an individual is considered to be a resident of India during any fiscal year if he or she is in India in that year for:

- a period or periods amounting to 182 days or more; or
- 60 days or more if within the four preceding years he/she has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India or a person of Indian origin living abroad who visits India and within the four preceding years has been in India for a period or periods amounting to 365 days or
- 182 days or more, in the case of a citizen of India who leaves India for the purposes of employment outside India in any previous year and has within the four preceding years been in India for a period or periods amounting to 365 days or more.

A company is a resident of India if it is registered in India or the control and the management of its affairs is situated wholly in India. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India. Individuals, companies, firms and other associations of persons that are not resident of India would be treated as non-residents for purposes of the Income-tax Act.

Taxation of Distributions. There is no withholding tax on dividends paid to shareholders. However, the company paying the dividend would be subject to a dividend distribution tax of 13.75% including the presently applicable surcharge of 10%, of the total amount it distributes, declares or pays as a dividend. Additionally, an education cess at the rate of 2.0% of such tax and surcharge after which the effective dividend distribution tax payable would be 14.025%.

Any distributions of additional ADSs, equity shares or rights to subscribe for equity shares made to non-resident holders with respect to ADSs or equity shares will not be subject to Indian tax. Similarly, the acquisition by a non-resident holder of equity shares upon redemption of ADSs will not constitute a taxable event for Indian income tax purposes. Such acquisition will, however, give rise to a stamp duty as described below under " — Stamp Duty and Transfer Tax."

Taxation of Capital Gains. Any gain realized on the sale of ADSs or equity shares by a non-resident holder to any non-resident outside India is not subject to Indian capital gains tax.

The following is a brief summary of capital gains taxation of non-resident holders and resident employees relating to the sale of ADSs and equity shares received upon conversion of ADSs. The relevant provisions are contained mainly in sections 45, 47(vii)(a), 115AC and 115ACA, of the Income-tax Act, in conjunction with the Scheme. Effective April 1, 2002, the Finance Act, 2001 introduced a new section 115AC in place of the prevailing section 115AC of the Income-tax Act. You should consult your own tax advisor concerning the tax consequences of your particular situation.

Capital gains arising to the non-resident investor on the transfer of the equity shares received upon conversion of the ADSs (whether in India or outside India to a non-resident investor) will be liable for income tax under the provisions of the Income-tax Act.

With effect from October 1, 2004 any gain realized on the sale of listed equity shares held for more than 12 months to an Indian resident or to a non-resident investor in India will not be subject to Indian capital gains tax if the STT has been paid on the transaction. With effect from June 1, 2005, the STT levied on delivery-based transactions on both buyer and seller is at the rate of 0.1 per cent and on non-delivery based transactions it is 0.02 per cent. Further, consequent to the Finance Act, 2006, with effect from June 1, 2006, the new rate of STT on delivery-based transactions (for both buyer and seller) will be 0.125% and on non-delivery based transactions it will be 0.025%.

Any gain realized on the sale of equity shares to an Indian resident, whether in India or outside India, or to a non-resident in India, on which no STT has been paid will be subject to Indian capital gains tax at the rate of 10% plus applicable surcharge on income tax and education cess at the rate of 2.0% of sale of shares on which no STT is paid. For the purpose of computing capital gains tax on the sale of the equity shares under section 115AC, the cost of acquisition of equity shares received in exchange for ADSs will be determined on the basis of the prevailing price of the equity shares on the BSE or NSE as on the date on which the relevant depositary gives notice to its custodian for the delivery of such equity shares upon redemption of the ADSs, while the cost of acquisition of shares directly converted from the ADSs will be determined on the basis of the price prevailing on the BSE or the NSE on the date of conversion into shares. A non-resident holder's holding period (for purpose of determining the applicable Indian capital gains tax rate) in respect of equity shares received in exchange for ADSs commences on the date of the advice of withdrawal of such equity shares by the relevant depositary to its custodian.

Capital gain realized in respect of equity shares held (calculated in the manner set forth in the prior paragraph) for 12 months or less (short-term gain) on which STT is paid in the manner and rates set out above, is subject to tax at the rate of 10% plus applicable surcharge on income tax and an education cess at the rate of 2.0%. In the event that no STT is paid, short-term gain is subject to tax at variable rates with the maximum rate of 40% plus applicable rate of surcharge on income tax and education cess at the rate of 2.0% The actual rate of tax on short-term gains depends on a number of factors, including the legal status of the non-resident holder and the type of income chargeable in India. The provisions of the Agreement for Avoidance of Double Taxation entered into by the GoI, or India Double Taxation Avoidance Agreement, with the country of residence of the non-resident investor will be applicable to the extent they are more beneficial to the non-resident investor. The capital gains tax is computed by applying the appropriate tax rates to the difference between the sale price and the purchase price of the ADSs or equity shares. It is unclear as to whether section 115AC and the Scheme are applicable to a non-resident who acquires equity shares outside India from a non-resident holder of equity shares after receipt of the equity shares upon conversion of the ADSs. It is unclear as to whether capital gains derived from the sale of subscription rights or other rights by a non-resident holder not entitled to an exemption under a tax treaty will be subject to Indian capital gains tax. If such subscription rights or other rights are deemed by the Indian tax authorities to be situated within India, the gains realized on the sale of such subscription rights or other rights will be subject to Indian taxation. The capital gains realized on the sale of such subscription rights or other rights, which will generally be in the nature of short-term capital gains, will be subject to tax at variable rates with a maximum rate of 40% excluding the applicable surcharge and education cess, in case of a foreign company, and 30% excluding the applicable surcharge and education cess, in case of resident employees, and non-resident individuals with taxable income over Rs.150,000.

Capital Losses. Neither section 115AC nor the 1993 Regulations deals with capital losses arising on a transfer of equity shares in India. In general terms, losses arising from a transfer of a capital asset in India can only be set off against capital gains. A long-term capital loss can be set off only against a long-term capital gain. To the extent that the losses are not absorbed in the year of transfer, they may be carried forward for a period of eight assessment years immediately succeeding the assessment year for which the loss was first determined by the assessing authority and may be set off against the capital gains assessable for such subsequent assessment years. In order to set off capital losses as above, the non-resident investor would be required to file appropriate and timely tax returns in India and undergo the usual assessment procedures.

Withholding Tax on Capital Gains. Any taxable gain realized by a non-resident on the sale of ADSs or equity shares is to be withheld at the source by the buyer. However, as per the provisions of Section 196D(2) of the Income-tax Act, no withholding tax is required to be deducted from any income by way of capital gains arising to Foreign Institutional Investors as defined in Section 115AD of the Income-tax Act on the transfer of securities defined in Section 115AD of the Income-tax Act.

Buy-back of Securities. Indian companies are not subject to any tax on the buy-back of their shares. However, the shareholders will be taxed on any resulting gains. We would be required to deduct tax at source according to the capital gains tax liability of a non-resident shareholder.

Tax Treaties. Currently divided income is not subject to tax in India in the hands of the holder of the equity shares. If any equity shares are held by a non-resident investor following withdrawal thereof from the depositary facility under the deposit agreements, the double taxation treaty, if any, entered into by India with the country of residence of such non-resident investor will be applicable to taxation with respect to any capital gain arising from transfer of such equity shares or the ADSs. However, during the period of fiduciary ownership of equity shares in the hands of the Depositary, the provisions of the India Double Taxation Avoidance Agreement entered into by the GoI with the country of residence of the Depositary will be applicable in the matter of taxation of capital gains, if any, on ADSs.

Stamp Duty and Transfer Tax. Our equity shares are compulsorily deliverable in dematerialized form (except for trades of up to 500 equity shares which may be delivered in physical form), and accordingly, there would be no stamp duty in India on transfer of these equity shares in dematerialized form. Upon issuance of the equity shares underlying our ADSs, we are required to pay a stamp duty of Rs. 0.30 per share certificate or per share. A transfer of ADSs is not subject to Indian stamp duty. However, upon the acquisition of equity shares in physical form from the depositary in exchange for ADSs, the non-resident holder will be liable for Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the redemption date. Similarly upon a sale of shares in physical form, stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date is payable, although customarily such duty is borne by the purchaser. Blocks of 500 or less of our equity shares may be issued and traded in physical form, and are thus subject to Indian stamp duty.

Wealth Tax. The holding of the ADSs in the hands of non-resident holders and the holding of the underlying equity shares by the depositary as a fiduciary will be exempt from Indian wealth tax. Non-resident holders are advised to consult their own tax advisors in this context.

Gift Tax and Estate Duty. Indian gift tax was abolished in October 1998. In India, there is no estate duty law. As a result, no estate duty would be applicable to non-resident holders. Non-resident holders are advised to consult their own tax advisors in this context.

Service Tax. Brokerage or commission paid to stock brokers in connection with the sale or purchase of shares listed on a recognized stock exchange in India is subject to a service tax of 10%, excluding surcharges and education cess. There is an additional add on tax at the rate of 2.0%. The stock broker is responsible for collecting the service tax from the shareholder and paying it to the relevant authority.

***Recent Developments – Budget* —** The Finance Bill 2007 has proposed, among others, the following:

- Increase in Education Cess from 2% to 3%, consequently, the tax rates for domestic companies increased from 33.66% to 33.99% and for foreign companies from 41.82% to 42.23%;
- Applicability Minimum Alternate Tax to Companies claiming deduction under section 10A/10B of the Income Tax Act.
- Increase in dividend distribution tax from 14.03% to 16.995%; and
- Employee stock options have been brought under net of Fringe Benefit Tax.

U.S. Taxation

The following discussion describes the material U.S. federal income tax consequences under present law of an investment in the ADSs or equity shares. This summary applies only to investors that hold the ADSs or equity shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as in effect on the date of this document and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this document, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- broker dealers;
- traders that elect to mark to market;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- U.S. expatriates;
- persons holding an ADS or equity share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting stock; or
- persons holding ADSs or equity shares through partnerships or other pass-through entities.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ADSs OR EQUITY SHARES.

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply if you are the beneficial owner of ADSs or equity shares and you are, for U.S. federal income tax purposes,

- a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any State or the District of Columbia
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership holds ADSs or equity shares, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. Partners of partnerships holding ADSs or equity shares should consult their own tax advisors regarding the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of ADSs or equity shares. The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with the terms. If you hold ADSs, you should be treated as the holder of the underlying equity shares represented by those ADSs for U.S. federal income tax purposes. The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming, by U.S. Holders of ADSs, of foreign tax credits for U.S. federal income tax purposes. Such actions would also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. Holders, as described below. Accordingly, the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders could be affected by future actions that may be taken by the U.S. Treasury.

Dividends

Subject to the passive foreign investment company rules discussed below, the gross amount of distributions made by us with respect to the ADSs or the equity shares will generally be includable in your gross income in the year received as foreign source dividend income to the extent that such distributions are paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent, if any, that the amount of any such distribution exceeds our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of your tax basis in the ADSs or the equity shares (thereby increasing the amount of any gain or decreasing the amount of any loss realized on the subsequent sale or disposition of such ADSs or equity shares) and thereafter as capital gain. No dividends received deduction will be allowed for U.S. federal income tax purposes with respect to dividends paid by us. With respect to non-corporate U.S. Holders, including individuals, for taxable years beginning before January 1, 2011, dividends may be “qualified dividend income” which is taxed at the lower applicable capital gains rate provided that (1) either (a) we are eligible for the benefits of the income tax treaty between the United States and India or (b) the ADSs or equity shares, as applicable, are readily tradable on an established securities market in the United States, (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year and (3) certain holding period requirements are met. Under Internal Revenue Service authority, common shares, or ADSs representing such shares, are considered to be readily tradable on an established securities market in the United States if they are listed on the New York Stock Exchange, as our ADSs are. You should consult your own tax advisors regarding the availability of the lower rate for dividends paid with respect to ADSs or equity shares. The amount of any distribution paid in Indian rupees will be equal to the U.S. dollar value of such Indian rupees on the date such distribution is received by the depositary, in the case of ADSs, or by you, in the case of equity shares, regardless of whether the payment is in fact converted into U.S. dollars at that time. Gain or loss, if any, realized on the sale or other disposition of such Indian rupees will generally be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. For foreign tax credit purposes, dividends distributed by us with respect to ADSs or equity shares would generally constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.” A U.S. Holder will not be able to claim a U.S. foreign tax credit for any Indian taxes imposed with respect to distributions on equity shares or ADSs (as discussed under “—Indian Taxation— Taxation of Distributions.”).

Sale or Other Disposition of ADSs or Equity Shares

Subject to the passive foreign investment company rules discussed below, upon a sale or other disposition of ADSs or equity shares, you will recognize a capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized and your tax basis in such ADSs or equity shares. Your tax basis in your ADSs or equity shares will generally equal the cost of such ADSs or equity shares, as applicable. Any such gain or loss will generally be U.S. source gain or loss and will be treated as long-term capital gain or loss if your holding period in the ADSs or the equity shares exceeds one year. If you are a non-corporate U.S. Holder, including an individual, any capital gain generally will be subject to U.S. federal income tax at preferential rates if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

Because capital gains generally will be treated as U.S. source gain, as a result of the U.S. foreign tax credit limitation, any Indian income tax imposed upon capital gains in respect of equity shares or ADSs (as discussed under “—Indian Taxation—Taxation of

Capital Gains") may not be currently creditable unless a U.S. Holder has other foreign source income for the year in the appropriate U.S. foreign tax credit limitation basket.

Stamp Duty and Transfer Tax

U.S. Holder generally will not be able to claim a U.S. foreign tax credit for any Indian stamp duty for which such U.S. Holder is liable (as discussed under "—Indian Taxation—Stamp Duty and Transfer Tax") and which is paid by such U.S. Holder. You should consult your tax advisor regarding the effect of payment of any Indian stamp duty.

Passive Foreign Investment Company

A non-U.S. corporation is considered a passive foreign investment company, or a PFIC, for any taxable year if either

- at least 75% of its gross income is passive income, or
- at least 50% of the value of its assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock. We do not believe that we were a PFIC for the taxable year ended March 31, 2006, and we do not anticipate that we will be a PFIC for future taxable years. This is a factual determination, however, that must be made annually at the end of the taxable year. Therefore there can be no assurance that we will not be classified as a PFIC for the current taxable year or for any future taxable year. If we were classified as a PFIC for any taxable year during which you held our ADSs or equity shares, you could be subject to materially adverse tax consequences with respect to certain distributions on, and gain realized from a disposition of, ADSs or equity shares. You should consult your own tax advisors regarding the potential application of the PFIC rules to your ownership of ADSs or equity shares.

U.S. Information Reporting and Backup Withholding

Dividend payments with respect to ADSs or equity shares and proceeds from the sale, exchange or redemption of ADSs or equity shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding at a current rate of 28%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information. The above summary is not intended to constitute a complete analysis of all tax consequences relating to ownership of equity shares or ADSs. You should consult your own tax advisor concerning the tax consequences of your particular situation.

Documents On Display

Publicly filed documents concerning our company which are referred to in this document may be inspected and copied at the public reference facilities maintained by the SEC at:

Judiciary Plaza
100 F Street, N.E.
Washington, D.C. 20549

Copies of these materials can also be obtained from the Public Reference Section of the SEC, 100 F Street, N.F., Washington D.C. 20549, at prescribed rates.

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

Table of Contents

Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our currency, maturity and interest rate information relative to our short-term and long-term debt are disclosed in Note. 12 "Borrowings" to our consolidated financial statements.

The table below provides information about our financial instruments that are sensitive to changes in interest rates and foreign currencies as of the dates shown. Weighted average variable rates were based on average interest rates applicable to the loans. The information is presented in U.S. dollars, which is our reporting currency, based on the applicable exchange rates as of the relevant period end. Actual cash flows are denominated in various currencies, including U.S. dollars and Indian rupees.

	As at March 31,					
	2007		2006		2005	
	Total Recorded				Total Recorded	
	Amount	Fair Value	Amount	Fair value	Amount	Fair Value
	(dollars in millions)					
Debt:						
Variable rate short-term debt	$10.5	$10.5	$ 4.1	$ 4.1	$1.7	$1.7
Average interest rate	6.71%		5.33%		3.61%	
Variable rate long term debt	$20.5	$20.5	$16.1	$16.1	—	—
Average interest rate	7.23%		5.58%		—	
Fixed rate long-term debt	$ 3.3	$ 3.3	$ 4.2	$ 4.2	$4.3	$4.3
Average interest rate	7.93%		7.78%		9.49%	

Limitations: Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

We also face market risk relating to foreign exchange rate fluctuations, principally relating to the fluctuation of U.S. dollar to Indian rupee exchange rate. Our foreign exchange risk principally arises from accounts payable to overseas vendors. This risk is partially mitigated as we have receipts in foreign currency from overseas customers and hold balances in foreign currency with overseas banks.

During fiscal 2007 and fiscal 2006, 94.9% and 98.6%, respectively, of our revenues were generated outside of India. Using sensitivity analysis, a hypothetical 10% increase in the value of the Indian rupee against all other currencies would decrease revenue by 2.5%, or $36.9 million, in fiscal 2007, 2.3%, or $24.9 million, in fiscal 2006 while a hypothetical 10% decrease in the value of the Indian rupee against all other currency would increase revenue by 2.5% or $36.9 million, in fiscal 2007, 2.3%, or $24.9 million in fiscal 2006.

We had outstanding forward and options contract amounting to $452.6 million and $216.0 million as at March 31, 2007 and 2006, respectively. Gains/ (losses) on outstanding forward and options contracts amounted to $4.5 million and $(1.4) million during fiscal 2007 and 2006 respectively. Using sensitivity analysis, a hypothetical 1% increase in the value of the Indian rupee against all other currencies would decrease these gains by $0.7 million in fiscal 2007 and by $0.8 million in fiscal 2006 while a hypothetical 1% decrease in the value of the Indian rupee against all other currency would increase these gains by $0.7 million in fiscal 2007 and by $0.8 million in fiscal 2006.

In the opinion of management, a substantial portion of this fluctuation would be offset by expenses incurred in local currencies. As a result, the aggregate of the hypothetical movement described above of the value of the Indian rupee against all other currencies in either direction would have impacted our earnings before interest and taxes by $37.6 million fiscal 2007 and $25.7 million in fiscal 2006. This amount would be offset, in part, from the impacts of local income taxes and local currency interest expense. As of March

31, 2007, we had approximately $141.7 million of non-Indian rupee denominated cash and cash equivalents

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

In May 2001, we completed an offering of 16,675,000 ADSs (representing 33,350,000 equity shares) at a price of $9.71 per ADS. We received approximately $150.6 million in cash, net of underwriting discounts, commissions and other offering costs. Our Securities Act registration statement on Form F-1 with respect to the offering was declared effective by the SEC on May 14, 2001 (Registration No. 333-13464). In May 2005, we filed a registration statement on Form F-3 (Registration No. 333-122996) for the sale by certain selling shareholders of an aggregate 13,043,480 ADSs of the Company held by such shareholders. We did not receive any proceeds from such offering. As of March 31, 2007, the entire $150.6 million of these proceeds has been used for prepayment of loans ($26.9 million); strategic investments in our subsidiaries ($39.3 million); development of facilities and infrastructure ($58.5 million) and working capital and general corporate purposes ($25.9 million). None of the net proceeds from our ADS offering were paid, directly or indirectly, to any of our directors, officers or general partners or any of their associates, or to any persons owning ten percent or more of any class of our equity securities, or any affiliates

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the U.S. SEC’s rules and forms, and that such information is accumulated and communicated to our management, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and, in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

We have carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and other management, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2007.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting refers to a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in

accordance with authorizations of our management and members of our board of directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management evaluated the effectiveness of our internal control over financial reporting as of March 31, 2007 using the framework set forth in the report of the Treadway Commission's Committee of Sponsoring Organizations (COSO), *"Internal Control — Integrated Framework."*

Based on the foregoing, management has concluded that our internal control over financial reporting was effective as of March 31, 2007.

Price Waterhouse, who have audited the consolidated financial statements for the year ended March 31, 2007, have also audited management's assessment of the effectiveness of internal control over financial reporting as at March 31, 2007 and have issued an attestation report on management's assessment. For the auditor's report please refer to Item 18..

Changes in Internal Control over Financial Reporting

Management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on the evaluation we conducted, management has concluded that no such changes have occurred.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Audit Committee members as of April 27, 2007 are Dr. Mangalam Srinivasan, M Rammohan Rao, T.R. Prasad and V.S. Raju each of whom is an independent director pursuant to the applicable rules of the Securities and Exchange Commission and the NYSE. See "Item 6. Directors, Senior Management and Employees" for the experience and qualifications of the members of the Audit Committee. We do not have an individual serving on our audit committee as an "Audit Committee Financial Experts," as defined in applicable rules of the SEC. This is because although our audit committee members have certain financial expertise, our board of directors has determined that no individual audit committee member possesses all of the attributes required by the definition of "Audit Committee Financial Expert."

ITEM 16B. CODE OF ETHICS

We have adopted a written Code of Ethics that is applicable to all of our directors, senior management and employees. We will make available a copy of the Code of Ethics to any person, without charge, if a written request is made to our Company Secretary at Mayfair Center, SP Road, Secunderabad 500 003, Andhra Pradesh, India. Our Code of Ethics is also available on our corporate website, www.satyam.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the remuneration that we paid to our Independent Auditors and its associated entities in each of our previous two fiscal years:

Table of Contents

Fiscal Year	Audit Services	Audit Related Services	Tax Services	Other Services	Total
2007	$873,959	$342,411	$328,723	$257,167	$1,802,260
2006	$493,120	$206,010	$109,717	$ 10,245	$ 819,092

Audit Services

Audit of the standalone financial statements, consolidated financial statements of our Company and our subsidiaries prepared in accordance with Indian GAAP, US GAAP and other local GAAPs of the subsidiaries and attest services that generally only the auditor can provide.

Audit Related Services

Audit Related Services represent assurance and related services that are related to the performance of the audit of our financial statements.

Tax Services

Tax audit, tax returns, tax processing, tax filing and advisory services pertaining to withholding taxes, double tax avoidance agreements, indirect tax matters, etc.

Other Services

Work permit related services and other advisory services

During fiscal 2007, the Audit Committee pre-approved a list of services that could be rendered by the principal accountant in fiscal 2007 pursuant to pre-approval policies and procedures established by the Audit Committee. For services other than those specified, approval would need to be obtained from the Audit Committee prior to the performance of such services. Services provided by the principal accountant in fiscal 2006 were allowable services that were approved by the Audit Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18 for a list of financial statements filed under Item 17.

Table of Contents

ITEM 18. FINANCIAL STATEMENTS

Financial Statement

The following financial statements are filed as part of this document, together with the report of the independent auditors:

ITEM 19. EXHIBITS

Number	Description
1.1	Memorandum and Articles of Association of Satyam Computer Services Limited. (1)
1.2	Certificate of Incorporation of Satyam Computer Services Limited. (2)
2.1	Specimens of Share Certificates. (2)
2.2	Deposit Agreement dated May 14, 2001, by and among Satyam Computer Services Limited, Citibank, N.A. (as Depositary) and the holders from time to time of American Depositary Receipts issued thereunder (including as an exhibit, the form of American Depositary Receipt). (3)
4.1	Associate Stock Option Plan (including the Trust Deed). (2)
4.2	Associate Stock Option Plan B, as amended and restated. (4)
4.3	Associate Stock Option Plan ADS, as amended and restated. (4)
4.4	Associate Stock Option Plan–RSUs(ADS). (5)
4.5	Associate Stock Option Plan–RSUs. (6)
8.1	List of Significant Subsidiaries. (6)
12.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act 2002. (6)
12.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act 2002. (6)
13.1	Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act 2002. (6)
13.2	Certification of Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act 2002. (6)
15.1	Consent of Price Waterhouse, Independent Registered Public Accounting Firm. (6)

Table of Contents

(1) Previously filed as an exhibit to our Registration Statement on Form F-3 (File No. 333-122996) filed on February 25, 2005 and incorporated herein by reference.

(2) Previously filed as an exhibit to our Registration Statement on Form F-1 (File No. 333-13464) filed on May 7, 2001 and incorporated herein by reference.

(3) Previously filed as an exhibit to our Form 20-F (File No. 001-15190) filed on August 13, 2001 and incorporated herein by reference.

(4) Previously filed as an exhibit to our Form 20-F (File No. 001-15190) filed on April 28, 2006 and incorporated here in by reference.

(5) Previously filed as an exhibit to our Form S-8 (File No. 333-139949) filed on January 12, 2007 and incorporated herein by reference.

(6) Filed herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and authorized the undersigned to sign this annual report on its behalf.

SATYAM COMPUTER SERVICES LIMITED

By: /s/ B. Rama Raju
Name: B. Rama Raju
Title: Managing Director and Chief Executive Officer

By: /s/ V. Srinivas
Name: Srinivas V.
Title: Director and Senior Vice President
& Chief Financial Officer

Date: April 30, 2007

Table of Contents

SATYAM COMPUTER SERVICES LIMITED

INDEX TO THE U.S. GAAP CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Satyam Computer Services Limited:

We have completed an integrated audit of Satyam Computer Services Limited's March 31, 2007 consolidated financial statements and of its internal control over financial reporting as of March 31, 2007 and audits of its March 31, 2006 and March 31, 2005 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Satyam Computer Services Limited and its subsidiaries at March 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2(p) to the consolidated financial statements, effective April 1, 2006, the Company changed its method of accounting for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment".

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 15, that the Company maintained effective internal control over financial reporting as of March 31, 2007 based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Price Waterhouse
Price Waterhouse
Secunderabad, India
April 27, 2007

Table of Contents

Satyam Computer Services Limited
Consolidated Balance Sheets
(Millions of US Dollars except per share data and as stated otherwise)

	As of March 31,	
	2007	**2006**
ASSETS		
Current assets		
Cash and cash equivalents	$ 152.2	$ 292.8
Investments in bank deposits	—	403.7
Accounts receivable, net of allowance for doubtful debts	364.2	220.0
Unbilled revenue on contracts	38.6	41.1
Deferred income taxes	17.1	10.5
Prepaid expenses and other receivables	37.1	48.9
Total current assets	**609.2**	**1,017.0**
Investments in bank deposits	767.6	—
Investments in associated companies	4.6	3.5
Premises and equipment, net	163.1	106.6
Goodwill, net	32.7	27.6
Intangible assets, net	7.4	6.6
Other assets	39.5	19.9
Total assets	**1,624.1**	**1,181.2**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term and current portion of long-term debt	12.1	6.5
0.05% Cumulative convertible redeemable preference shares, par value Rs.10 (US$0.23)* per share (45,505,000 shares as of March 31, 2007)	13.6	—
Accounts payable	16.8	11.9
Accrued expenses and other current liabilities	148.6	104.0
Unearned and deferred revenue	20.1	11.8
Total current liabilities	**211.2**	**134.2**
Long-term debt, excluding current portion	22.2	17.9
Accrued benefit cost — Gratuity, excluding current portion	8.1	4.9
Deferred income taxes	11.6	8.9
Total liabilities	**253.1**	**165.9**
Contingencies and Commitments (*Note No.19*)		
Minority interest	—	0.9
Preferred Stock of Subsidiary		
0.05% Cumulative convertible redeemable preference shares, par value Rs.10 (US$0.23)* per share *(100 million preference shares authorized, Nil and 91,009,999 preference shares issued as of March 31, 2007 and 2006 respectively)*	—	20.0
Shareholders' equity		
Common stock — par value Rs.2 (US$0.05)* per equity share (*800 million and 750 million equity shares authorized as of March 31, 2007 and 2006 respectively. 667,196,009 and 648,899,078 equity shares as of March 31, 2007 and 2006 respectively*)	36.0	17.6
Additional paid-in capital	552.4	465.1
Shares subscribed but unissued	1.8	0.4
Deferred stock-based compensation	—	(0.4)
Retained earnings	721.1	497.1
Accumulated other comprehensive income/(loss)	60.9	15.8
	1,372.2	**995.6**
Shares held by the SC-Trust under associate stock option plan *(2,295,880 and 2,386,280 equity shares as of March 31, 2007 and 2006 respectively)*	(1.2)	(1.2)
Total shareholders' equity	**1,371.0**	**994.4**
Total liabilities and shareholders' equity	**$1,624.1**	**$1,181.2**

* *The par value in US$ has been converted at the closing rate as of March 31, 2007, 1US$ = Rs 43.10*

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Satyam Computer Services Limited
Consolidated Statements of Income
(Millions of US Dollars except per share data and as stated otherwise)

	Year ended March 31,		
	2007	**2006**	**2005**
Revenues	$1,461.4	$1,096.3	$ 793.6
Cost of revenues			
(Includes stock-based compensation of US$12.8,US$Nil and US$0.8 for the three years ended March 31, 2007, 2006 and 2005 respectively)	(937.6)	(689.0)	(506.8)
Gross profit	**523.8**	**407.3**	**286.8**
Selling, general and administrative expenses			
(Includes stock-based compensation of US$2.9,US$0.8 and US$1.1 for the three years ended March 31, 2007, 2006 and 2005 respectively)	(232.2)	(187.6)	(124.3)
Total operating expenses	**(232.2)**	**(187.6)**	**(124.3)**
Operating income	**291.6**	**219.7**	**162.5**
Interest income	37.3	26.3	22.3
Interest expense	(3.6)	(1.3)	(0.4)
Gain on sale of investments (Refer note 7)	—	43.6	—
Gain/(Loss) on foreign exchange transactions	(3.3)	0.3	(4.6)
Other income/(expense), net	6.2	(0.8)	0.4
Income before income taxes and equity in earnings/(losses) of associated companies	**328.2**	**287.8**	**180.2**
Income taxes	(30.6)	(37.7)	(25.3)
Minority interest	—	0.1	—
Income before equity in earnings/(losses) of associated companies	**297.6**	**250.2**	**154.9**
Equity in earnings/(losses) of associated companies, net of taxes	0.8	(0.8)	(1.1)
Net income	**$ 298.4**	**$ 249.4**	**$ 153.8**
Earnings per share:			
Basic	$ 0.46	$ 0.39	$ 0.24
Diluted	$ 0.45	$ 0.38	$ 0.24
Weighted average number of shares used in computing earnings per share (in millions)			
Basic	652.5	641.2	632.4
Diluted	666.0	662.8	647.2

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Millions of US Dollars except per share data and as stated otherwise)

	Common Stock Shares	Par Value	Additional paid-in capital	Shares subscribed but unissued	Deferred stock-based compensation	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
Balance as of March 31, 2004	**632,503,420**	**$ 17.2**	**$ 416.2**	**—**	**—**	**$ 172.8**	**$ 29.4**	**$ (1.7)**	**$ 633.9**
Net income	—	—	—	—	—	153.8	—	—	153.8
Other comprehensive income									
Gain on foreign currency translation	—	—	—	—	—	—	0.2	—	0.2
Total Comprehensive income									**154.0**
Issuance of common stock	6,027,162	0.2	14.7	—	—	—	—	—	14.9
Shares subscribed but unissued	—	—	—	0.1	—	—	—	—	0.1
Gain on dilution of interest in associate company on its issuance of new shares, net of taxes	—	—	0.2	—	—	—	—	—	0.2
Deferred stock-based compensation	—	—	2.2	—	(2.2)	—	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	1.9	—	—	—	1.9
Shares transferred by SC-Trust to employees	—	—	0.3	—	—	—	—	0.2	0.5
Cash dividend paid at the rate of US$0.12 per share	—	—	—	—	—	(37.6)	—	—	(37.6)
Balance as of March 31, 2005	**638,530,582**	**$ 17.4**	**$ 433.6**	**$ 0.1**	**$ (0.3)**	**$ 289.0**	**$ 29.6**	**$ (1.5)**	**$ 767.9**

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Millions of US Dollars except per share data and as stated otherwise)

	Common Stock Shares	Common Stock Par Value	Additional paid-in capital	Shares subscribed but unissued	Deferred stock-based compensation	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
Balance as of March 31, 2005	**638,530,582**	**$17.4**	**$433.6**	**$ 0.1**	**$ (0.3)**	**$289.0**	**$ 29.6**	**$ (1.5)**	**$767.9**
Net income	—	—	—	—	—	249.4	—	—	249.4
Other comprehensive income									
Loss on foreign currency translation	—	—	—	—	—	—	(13.8)	—	(13.8)
Total Comprehensive income									**235.6**
Issuance of common stock	10,368,496	0.2	30.3	(0.1)	—	—	—	—	30.4
Shares subscribed but unissued	—	—	—	0.4	—	—	—	—	0.4
Deferred stock-based compensation	—	—	0.9	—	(0.9)	—	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	0.8	—	—	—	0.8
Shares transferred by SC-Trust to employees	—	—	0.3	—	—	—	—	0.3	0.6
Cash dividend paid at the rate of US$0.11 per share	—	—	—	—	—	(41.3)	—	—	(41.3)
Balance as of March 31, 2006	**648,899,078**	**$17.6**	**$465.1**	**$ 0.4**	**($0.4)**	**$497.1**	**$ 15.8**	**($1.2)**	**$994.4**

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Millions of US Dollars except per share data and as stated otherwise)

	Common Stock Shares	Common Stock Par Value	Additional paid-in capital	Shares subscribed but unissued	Deferred stock-based compensation	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
Balance as of March 31, 2006	**648,899,078**	**$17.6**	**$465.1**	**$ 0.4**	**$(0.4)**	**$497.1**	**$15.8**	**$ (1.2)**	**$994.4**
Net income	—	—	—	—	—	298.4	—	—	298.4
Other comprehensive income/(loss)									
Gain on foreign currency translation	—	—	—	—	—	—	46.3	—	46.3
Adjustments to initially adopt SFAS No. 158, net of tax	—	—	—	—	—	—	(1.2)	—	(1.2)
Total Comprehensive income									**343.5**
Issuance of common stock	18,296,931	0.7	64.1	(0.4)	—	—	—	—	64.4
Stock split (effected in the form of dividend)	—	17.7	—	—	—	(17.7)	—	—	—
Shares subscribed but unissued	—	—	—	1.8	—	—	—	—	1.8
Gain on dilution of interest in subsidiary company on its issuance of new shares, net of taxes (Refer note 4)	—	—	7.9	—	—	—	—	—	7.9
Reversal of Deferred stock based compensation on adoption of SFAS 123R	—	—	(0.4)	—	0.4	—	—	—	—
Stock-based compensation expense	—	—	15.7	—	—	—	—	—	15.7
Cash dividend paid at the rate of US$0.13 per share	—	—	—	—	—	(56.7)	—	—	(56.7)
Balance as of March 31, 2007	**667,196,009**	**$36.0**	**$552.4**	**$ 1.8**	**—**	**$721.1**	**$ 60.9**	**($1.2)**	**$1,371.0**

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Satyam Computer Services Limited
Consolidated Statements of Cashflows
(Millions of US Dollars except per share data and as stated otherwise)

	Year ended March 31,		
	2007	**2006**	**2005**
Cash Flows From Operating Activities			
Net income	$ 298.4	$249.4	$ 153.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangible assets	33.6	31.5	25.0
Stock-based compensation	15.7	0.8	1.9
Deferred income taxes	(6.7)	(5.1)	(1.9)
Gain on sale of investments	—	(43.6)	—
Loss on sale of premises and equipment	0.3	0.2	0.3
Minority Interest	—	(0.1)	—
Equity in (earnings)/losses of associated companies, net of taxes	(0.8)	0.8	1.1
Changes in assets and liabilities:	—		
Accounts receivable, net and unbilled revenue on contracts	(127.7)	(81.9)	(40.7)
Prepaid expenses and other receivables, net	13.4	(31.7)	16.6
Other assets, net	(17.5)	(1.8)	(8.0)
Accounts payable	3.8	(2.5)	2.5
Accrued expenses and other current liabilities	38.4	40.1	15.8
Unearned and deferred revenue	7.6	6.1	3.5
Other liabilities non-current	3.0	0.5	1.4
Net cash provided by operating activities	**261.5**	**162.7**	**171.3**
Cash Flows From Investing Activities			
Proceeds from maturity of bank deposits	408.0	—	332.1
Investment in bank deposits	(745.6)	—	(411.5)
Purchase of premises and equipment	(81.5)	(54.1)	(39.0)
Proceeds from sale of premises and equipment	0.5	0.3	0.3
Payment for purchase of Citisoft Plc, net of cash acquired	(3.3)	(12.1)	—
Payment for purchase of Knowledge Dynamics Pte. Ltd., net of cash acquired	(0.8)	(1.6)	—
Purchase of investments	—	—	(7.6)
Proceeds from sale of investments	—	62.3	10.2
Net cash used in investing activities	**(422.7)**	**(5.2)**	**(115.5)**
Cash Flows From Financing Activities			
Proceeds from short-term debt	10.9	3.6	1.7
Repayments of short-term debt	(4.7)	(1.2)	—
Proceeds from long-term debt	4.3	16.3	0.2
Repayment of long-term debt	(3.9)	(2.7)	(2.2)
Issuance of common stock	64.4	31.0	15.4
Shares subscribed but unissued	1.8	0.4	0.1
Issuance of Preferred stock by subsidiary, net of issuance cost	—	—	9.5
Cash dividends paid	(56.7)	(41.3)	(37.6)
Net cash provided by/(used in) financing activities	**16.1**	**6.1**	**(12.9)**
Effect of exchange rate changes on cash and cash equivalents	4.5	(0.6)	0.2
Net change in cash and cash equivalents	**(140.6)**	**163.0**	**43.1**
Cash and cash equivalents at the beginning of the year	292.8	129.8	86.7
Cash and cash equivalents at the end of the year	**$ 152.2**	**$292.8**	**$ 129.8**

Supplementary information:			
Cash paid during the year for:			
Income taxes	$ 32.8	$ 44.9	$ 25.4
Interest	2.6	1.3	0.5
Non-cash items:			
Capital leases and hire purchase	$ 2.3	$ 2.5	$ 2.0
Deferred consideration for purchase of Citisoft Plc	5.9	3.1	—
Deferred consideration for purchase of Knowledge Dynamics Pte Ltd	—	1.5	—

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

1. Description of Business

Satyam Computer Services Limited, its consolidated subsidiaries and associated companies (hereinafter referred to as "*Satyam*") are engaged in providing Information Technology ("IT") services and Business Process Outsourcing ("BPO") services. Satyam Computer Services Limited (hereinafter referred to as "*Satyam Computer Services*") is an IT services provider that uses global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. Satyam Computer Services was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. Satyam Computer Services has offshore development centers located throughout India that enable it to provide high quality and cost-effective solutions to clients. It also has offsite centers located in the United States, United Kingdom, Japan, Australia, Singapore, Malaysia, Dubai, Germany, Canada, China, Hungary, Saudi Arabia and Brazil. Satyam offers a comprehensive range of IT services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. Satyam Computer Services has established a diversified base of corporate customers in a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Nipuna Services Limited ("Nipuna") a majority owned subsidiary of Satyam Computer Services is engaged in providing BPO services covering HR, Finance & Accounting, Customer Care (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

2. Summary of Significant Accounting Policies

a) Principles of Consolidation and Basis of Presentation

The consolidated financial statements of Satyam Computer Services and its majority owned domestic and foreign subsidiaries are prepared in accordance with generally accepted accounting principles applicable in the United States ("U.S. GAAP"). All significant inter-company balances and transactions are eliminated.

Minority interest in subsidiaries represents the minority shareholders' proportionate share of the net assets and the results of operations of Satyam's majority owned subsidiaries.

Satyam's investments in business entities in which it does not have control, but have the ability to exercise significant influence over operating and financial policies (generally 20—50 percent ownership), are referred to as associated companies and are accounted for by the equity method.

On occasion, a subsidiary or associated company accounted for by the equity method ("offering company") may issue its shares to third parties as either a public offering or private placement at per share amounts in excess of or less than Satyam's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in interest are recorded in additional paid-in capital. Gains or losses arising on the direct sales by Satyam of its investment in its subsidiaries or associated companies to third parties are recognized as income/(loss) in the statement of income. Such gains or losses are the difference between the sale proceeds and net carrying value of investments.

The excess of the cost over the underlying net equity of investments in subsidiaries and associated companies accounted for on equity basis is allocated to identifiable assets based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reported period. Examples of such estimates include: estimates of expected contract costs to be incurred to complete software development, allowance for doubtful debts, and future obligations under employee benefit plans, valuation allowances for deferred taxes, impairment of goodwill and useful lives of premises and equipment (fixed assets). Actual results could differ materially from those estimates.

c) Foreign Currency Translation

The accompanying consolidated financial statements are reported in U.S. dollars. The Indian rupee is the functional currency for Satyam Computer Services, its domestic subsidiaries and associated companies. However, the U.S. Dollar, Pound Sterling, Singapore Dollar and Renminbi are the functional currencies for its foreign subsidiaries located in U.S., UK, Singapore and China respectively. The translation of the functional currencies into U.S. dollars is performed for assets and liabilities using the current exchange rates in effect at the balance sheet date and for revenues, costs and expenses using average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income/(loss), a separate component of shareholders' equity.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency at the exchange rates in effect at the balance sheet date. Revenues, costs and expenses are recorded using exchange rates prevailing on the date of transaction. Gains or losses resulting from foreign currency transactions are included in the statement of income.

d) Revenue Recognition

Revenues from IT services, which includes software development, system maintenance, package software implementation, engineering design services and e-Business consist of revenues earned from services performed either on a time-and-material basis or time bound fixed price engagements.

Revenues earned from services performed on a time-and-material basis are recognized as the services are performed. IT services performed on time bound fixed-price engagements; require accurate estimation of the costs which include salaries and related expenses of technical associates, related communication expenses, travel costs, scope and duration of each engagement. Revenue and the related costs for these projects are recognized on percentage of completion basis, with revisions to estimates reflected in the period in which changes become known. The use of the percentage of completion method reflects the pattern in which the obligations to the customer are fulfilled. Satyam has used an input-based approach since the input measures are a reasonable surrogate for output measures. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Revenues from BPO services consist of revenues from time-and-material services or time bound fixed price engagements. Revenues from time-and-material services are recognized as the services are performed. Revenues from BPO services are also on time bound fixed-price engagements, under which revenue is recognized using the percentage completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable and can be reasonably estimated.

Amounts included in the financial statements, which relate to recoverable costs and accrued profits not yet billed on contracts, are classified in current assets as "Unbilled revenue on contracts". Billings on uncompleted contracts in excess of accrued cost and accrued profit are classified in current liabilities under the heading "Unearned and deferred revenue". Satyam provides its clients with one to three months' warranty as post-sale support for its fixed price engagements. Satyam has not provided for any warranty costs for the years ended March 31, 2007, 2006 and 2005 as historically Satyam has not incurred any expenditure on account of warranties and since the customer is required to formally sign off on the work performed, any subsequent work is usually covered by an additional contract.

In accordance with Emerging Issues Task Force (EITF) 01-14 (formerly Topic D-103), "Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred", Satyam has accounted for reimbursements received for out-of-pocket expenses incurred as revenues in the statement of income.

e) Cash and Cash Equivalents

Satyam considers all highly liquid investments with an original maturity or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates their fair value due to the short maturity of the investments. Cash and claims to cash that are restricted as to withdrawal or use in the ordinary course of business are classified as other receivables under current assets, unless they are to be utilized for other than current operations in which case they are classified as other assets, non-current.

f) Premises, Equipment and Depreciation

Premises and equipment are stated at actual cost less accumulated depreciation. Assets under capital leases are stated at the present value of minimum lease payments. Depreciation is computed using the straight-line method over the estimated useful lives. Assets under capital leases and leasehold improvements are amortized straight-line

over their estimated useful life or the lease term, as appropriate. Costs of application software for internal use are generally charged to income as incurred due to its estimated useful lives being relatively short, usually less than one year.

The cost and the accumulated depreciation for premises and equipment sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the statement of income. Interest related to the construction of qualifying assets is capitalized. Advances paid towards the acquisition of premises and equipment outstanding at each balance sheet date and the cost of premises and equipment not put to use before such date are disclosed as Assets under Construction.

g) Research and development Costs

Research and development costs are expensed as incurred and amounted to US$0.4 million, US$0.5 million and US$0.6 million for the years ended March 31, 2007, 2006 and 2005 respectively.

h) Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. Effective April 1, 2002, Satyam adopted provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" which sets forth the accounting for goodwill and intangible assets subsequent to their acquisition. Goodwill is tested annually for impairment, or sooner when circumstances indicate an impairment may exist, using a fair-value approach at the reporting unit level. Satyam follows the two-step impairment recognition and measurement guidance in accordance with SFAS 142.

Satyam amortizes other intangible assets over their estimated useful lives on a straight-line basis unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows, and, if impaired, written down to fair value based on either discounted cash flows or appraised values.

i) Impairment of Long-lived Assets

Satyam accounts for impairment of long-lived assets in accordance with the provisions of SFAS 144 "*Accounting for the Impairment or Disposal of Long-Lived Assets*". Satyam reviews long-lived assets, for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. Each impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset to its recorded value. If impairment is indicated, the asset is written down to its fair value. Assets to be disposed are reported at the lower of the carrying value or the fair value less cost to sell.

j) Investments

Satyam accounts for investments in accordance with the provisions of SFAS 115, *"Accounting for Certain Investments in Debt and Equity Securities"*. Other investments that are not marketable are carried at cost, subject to tests of other than temporary impairment.

k) Cost of Revenues and Selling, General and Administrative Expenses

Cost of revenues primarily include the compensation cost of technical staff, depreciation on dedicated assets and system and application software costs, amortization of intangibles, travel costs, data communication expenses and other expenses incurred that are related to the generation of revenue.

Selling, general and administrative expenses generally include the compensation costs of sales, management and administrative personnel, travel costs, advertising, business promotion, depreciation on assets, rent, repairs, electricity and other general expenses not attributable to cost of revenues.

l) Advertising Costs

Satyam expenses all advertising costs as incurred. Advertising costs charged to income amounted to US$1.0 million, US$2.2 million and US$1.1 million for the years ended March 31, 2007, 2006 and 2005 respectively.

m) Employee Benefits

i) Provident Fund

In accordance with Indian law, employees are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees' basic salary. Satyam has no further obligations under the plan beyond its monthly contributions. These contributions are made to the fund administered and managed by the Government of India. Satyam's monthly contributions are charged to income in the period they are incurred.

ii) Gratuity Plan

Satyam has a defined benefit retirement plan (the "Gratuity Plan") covering all its employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and years of employment with Satyam.

Satyam provides for the Gratuity Plan on the basis of actuarial valuation. The entire Gratuity Plan of Satyam Computer Services and Nipuna is unfunded.

Effective March 31, 2007, Satyam adopted the provisions of SFAS No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)". The provisions of SFAS No. 158 were adopted pursuant to the transition provisions therein. Accordingly, Satyam has recognized unrecognized actuarial losses as a liability with corresponding adjustment to accumulated other comprehensive income (net of tax), a separate component of shareholders' equity.

The funded status of the company's retirement-related benefit plans is recognized in the Consolidated Balance Sheet. The funded status is measured as the difference between the fair value of plan assets and the projected benefit obligation at March 31, the measurement date. The current portion of the benefit obligation represents the actuarial present value of benefits payable in the next 12 months exceeding the fair value of plan assets. This liability is recorded in Accrued Expenses and Other Current Liabilities in the Consolidated Balance Sheet.

(Gains)/losses not recognized as a component of net periodic gratuity cost/(income) in the Consolidated Statement of Income as they arise are recognized as a component of other comprehensive income in the Consolidated Statement of Stockholders' Equity, net of tax. Those (gains)/losses are subsequently recognized as a component of net periodic gratuity period cost/(income) pursuant to the recognition and amortization provisions of applicable accounting standards. (Gains)/losses arise as a result of differences between actual experience and assumptions or as a result of changes in actuarial assumptions. Net periodic gratuity cost/(income) is recorded in the Consolidated Statement of Income and includes service cost, interest cost, expected return on plan assets, amortization of prior service cost and (gains)/losses previously recognized as a component of Other Comprehensive Income.

iii) Superannuation Plan

In addition to the above benefits, the senior employees of Satyam Computer Services in India are entitled to receive benefits under the Superannuation Plan, a defined contribution plan. Satyam Computer Services makes yearly contributions under the Superannuation plan administered and managed by LIC, based on a specified percentage (presently 10.0%) of each covered employee's basic salary. Satyam Computer Services has no further obligations under the plan beyond its contributions.

iv) Other Benefit Plans

Satyam maintains a 401(k) retirement plan (the "401(k) Plan") covering all its employees in the United States. Each participant in the 401(k) Plan may elect to contribute up to 15.0% of his or her annual compensation to the 401(k) Plan. Satyam matches 50.0% of employee contributions, subject to a maximum of 3.0% of gross salary for all employees participating in the 401(k) plan. Effective October 1, 2003, Satyam Computer Services has discontinued its matching contribution under this plan.

n) Income Taxes

In accordance wit h the provisions of SFAS 109, *"Accounting for Income Taxes"*, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of enactment. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

o) Earnings Per Share

In accordance with the provisions of SFAS 128, *"Earnings Per Share"*, basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the "treasury stock" method for options and warrants, except where the results will be anti-dilutive.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

p) Stock-Based Compensation

Effective April 1, 2006, Satyam adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). Prior to the adoption of SFAS 123R, Satyam recognized stock-based compensation using the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees"*, and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25,* issued in March 2000 to account for its employee stock-based compensation plan. Satyam has therefore adopted the pro-forma disclosure requirements of SFAS No. 123, *"Accounting for Stock-Based Compensation"* and SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123*. Pursuant to SFAS No. 123, all equity instruments issued to non-employees are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. In March 2005, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin No.107 ("SAB 107") regarding the SEC's interpretation of SFAS 123R and the valuation of share-based payments for public companies. Satyam has applied the provisions of SAB 107 in its adoption of SFAS 123R.

Satyam adopted SFAS 123R using the modified prospective transition method, which required the application of the accounting standard as of April 1, 2006, the first day of Satyam's fiscal year 2007. Under this transition method, stock-based compensation expensed for the year ended March 31, 2007 includes a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123") and b) Stock-based compensation expenses for all stock-based compensation awards granted after April 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

Pro forma disclosure

Had deferred stock-based compensation cost been recognized based on the fair value at the date of grant in accordance with SFAS 123, the pro forma amounts of Satyam's net income and earnings per share would have been as follows for the year ended March 31, 2006 and 2005.

(US$ in millions except per share data)

	Year ended March 31,	
	2006	**2005**
Net Income		
- As reported	**$249.4**	**$153.8**
Add: Charge under APB25	0.8	1.9
Less: Charge under FAS123	(22.2)	(22.6)
- Pro forma	**$228.0**	**$133.1**
Earnings Per Share:		
Basic		
- As reported	$ 0.39	$ 0.49
- Pro forma	$ 0.38	$ 0.42
Diluted		
- As reported	$ 0.36	$ 0.48
- Pro forma	$ 0.34	$ 0.41

Note: The pro forma disclosures shown above are not representative of the effects on net income and earnings per share in future years.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

The fair value of Satyam Computer Services' stock options used to compute pro forma net income and earnings per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model.

The following weighted average assumptions were used:

	Year ended March 31,	
	2006	2005
Dividend yield	0.75%	0.75%
Expected volatility	57%	61%
Risk-free interest rate	7%	7%
Expected term (in years)	1.26	2.03

q) Derivative financial instruments

Satyam has adopted the provisions of SFAS 133, "*Accounting for Derivative Instruments and Hedging Activities*" as amended. Satyam enters into foreign exchange forward and options contracts where the counter party is generally a bank. Satyam purchases foreign exchange forward and options contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in certain foreign currencies. These contracts do not qualify for hedge accounting under SFAS 133, as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS 133, as amended is marked to market and recognized in earnings immediately.

r) Recently issued accounting pronouncements

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 ("FIN 48"). The Interpretation clarifies the accounting for uncertainty in income taxes recognized in a Company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, which is April 1, 2007 for us. The differences, if any between the amounts recognized in the statements of financial position prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. We are in the process of evaluating the impact this new standard will have on our financial position, results of operations and liquidity.

In September 2006, the Securities and Exchange Commission ("SEC") released SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides interpretive guidance on the SEC's views on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. Satyam adopted SAB 108 during the fourth quarter of 2007. The adoption did not have a material impact on our financial position, cash flows, or results of operations.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commending April 1, 2008 for us. We are in the process of evaluating the impact SFAS 157 will have on our financial position, results of operations, liquidity and its related disclosures.

As discussed in note 2(m), "Significant Accounting Policies," effective March 31, 2007, Satyam adopted SFAS No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)," which requires the recognition of the funded status of the retirement-related benefit plans in the Consolidated Balance Sheet and the recognition of the changes in that funded status in the year in which the changes occur through Accumulated Other Comprehensive Income, net of applicable tax effects. The provisions of SFAS No. 158 were adopted pursuant to the transition provisions therein. Satyam measures defined benefit plan assets and obligations as of March 31 and SFAS No. 158 did not affect the company's existing valuation practices.

In February 2007, the FASB issued FASB Statement 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 allows the company to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commencing April 1, 2008 for us. We are in the process of evaluating the impact SFAS 159 will have on our financial position, results of operations, liquidity and its related disclosures.

s) Reclassifications

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current period's presentation.

3. Acquisitions

a) Citisoft Plc.

On May 12, 2005, Satyam Computer Services acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry since 1986. The results of Citisoft's operations have been consolidated by Satyam Computer Services from the consummation date of May 12, 2005. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for the 75% equity interest in Citisoft amounted to US$17.4 million comprising of an initial consideration of US$14.3 million (including direct acquisition costs of US$0.9 million) and deferred consideration (non-contingent) of US$3.1 million. Deferred consideration for the acquisition of the 75% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2006 this has been paid subsequently in June 2006.

Satyam Computer Services is also required to pay a maximum earn out consideration amounting to US$3.9 million in May 2007 based on achievement of targeted revenues and profits for the year ended April 30, 2007. The earn-out consideration will be accounted for as additional purchase consideration when the contingency is resolved.

Satyam Computer Services had a call option and the minority shareholders had a put option to acquire / sell the balance 25% equity shares in two tranches 12.5% on April 30, 2007 and 12.5% on April 30, 2008. The consideration payable for the first tranche of 12.5% equity shares on April 30, 2007 would amount to US$2.8 million and a maximum earn-out consideration amounting to US$2.7 million based on achievement of targeted revenues and profits. The consideration payable for the second tranche of 12.5% equity shares on April 30, 2008 would amount to US$2.9 million and a maximum earn-out consideration amounting to US$4.2 million based on achievement of targeted revenues and profits. Satyam Computer Services recorded the put option at fair value at each balance sheet date, with the initial fair value of the put option included as part of the consideration for its 75.0% interest in Citisoft. The difference between the fair values at each valuation date was charged to selling, general and administration expenses in statement of income. On the basis of an independent valuation, the value of put option was US$ Nil and US$1.1 million as of May 12, 2005 and March 31, 2006 respectively.

On June 29, 2006, Satyam Computer Services exercised the call option and acquired the remaining 25% equity interest for a deferred consideration of US$5.9 million payable on April 30, 2007 and a maximum earn-out consideration of US$2.7 million and US$4.2 million payable in May 2007 and 2008 respectively based on achievement of targeted revenues and profits for the years ended April 30, 2007 and 2008 respectively.. As a result Satyam reversed the put option liability during the year ended March 31, 2007. The acquisition was accounted for as a step purchase of the 25% equity interest, the deferred consideration for the acquisition of the 25% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2007. The earn-out consideration will be accounted for as additional purchase consideration when the contingency is resolved.

Satyam Computer Services is also required to fund an Employee Benefit Trust ("EBT") formed by Citisoft for the purpose of providing additional incentive to employees to contribute to the success of Citisoft. Satyam is required to fund a maximum of US$3.4 million and US$1.7 million on April 30, 2007 and 2008 respectively, based on achievement of targeted revenues and profits. Satyam Computer Services has recognized US$1.7 million and US$1.4 million in the consolidated statement of income as part of cost of revenues in respect of the EBT contribution for the years ended March 31, 2007 and 2006 respectively. The unpaid EBT contribution (disclosed as a current liability) amounted to US$1.6 million and US$1.4 million as of March 31, 2007 and 2006 respectively.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

The purchase consideration for acquisition of interest has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

		US$ in millions
	Acquisition of 75% interest	**Acquisition of 25% interest**
Purchase price	**$ 17.4**	**$ 5.9**
Allocated to:		
Net current assets	$ 2.2	0.7
Tangible assets	0.3	0.1
Customer Contracts related intangibles	0.8	0.3
Customer relationship related intangibles	5.4	0.7
Trade name	0.7	0.1
Goodwill	10.3	4.4
Deferred tax liability	(2.3)	(0.4)
Total	**$ 17.4**	**$ 5.9**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

b) Knowledge Dynamics Pte Ltd ("Knowledge Dynamics").

On July 21 2005, Satyam Computer Services announced its intention to acquire 100% of the shares of Knowledge Dynamics Pte Ltd, Singapore, ("Knowledge Dynamics"), a leading Data Warehousing and Business Intelligence Solutions provider. The transaction was consummated on October 1, 2005, the date of transfer of shares to Satyam Computer Services and Satyam Computer Services has consolidated Knowledge Dynamics Pte Ltd, Singapore, from October 1, 2005. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for this acquisition amounted to US$3.3 million comprising of initial consideration of US$1.8 million (including direct acquisition costs of $11 thousand) and deferred consideration (non-contingent) of US$1.5 million. The total deferred consideration for the acquisition of US$1.5 million has been accounted for as part of the purchase consideration out of which US$0.8 million has been paid during the year ended March 31, 2007 and US$0.7 million has been disclosed as a current liability in the consolidated balance sheet. Satyam Computer Services is also required to pay a maximum earn out consideration amounting to US$1.1 million and US$1.1 million on April 30, 2007 and 2008 respectively based on the achievement of targeted revenues and profits from the date of acquisition up to April 30, 2007 and 2008 respectively. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

	US$ in millions
Purchase price	**$ 3.3**
Allocated to:	
Net current assets	$ 0.5
Customer Contracts and Related Relationships	1.0
Trade name	0.1
Goodwill	2.1
Deferred tax liability	(0.4)
Total	**$ 3.3**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

4. Preferred Stock of Subsidiary

Nipuna issued 45,669,999 and 45,340,000 0.05% convertible redeemable cumulative preference shares of par value Rs 10 (US$0.23) per share in October 2003 and June 2004 respectively to the investors at an issue price of Rs.10 (US$0.23) per share, in exchange for an aggregate consideration of US$20 million.

As per the agreement, these preference shares were mandatorily convertible into equity shares of Nipuna no later than June 2006, if Nipuna achieved certain targets for revenues and profits earned up to March 31, 2006. If these targeted revenues and profits were not achieved by Nipuna along with other triggering events, the investors had an option to either redeem these preference shares or convert them. Although certain triggering events for early redemption as per the agreement occurred during the period January 2004 to December 2004 the investors waived the right of early redemption. Further Nipuna has not achieved the targeted revenues and profits upto March 2006.

If not converted, early converted or redeemed, these convertible preference shares were redeemable on maturity in June 2007 at a redemption premium, which could range between 7.5% to 13.5% p.a. The Investors are entitled to receive dividends at the rate of 0.05% per cent per annum, on the face value of Rs. 10 (US$0.23) from the date of issuance of such Preference Shares. The dividends are cumulative and payable in cash at the rate indicated above, whether or not they have been declared and whether or not there are profits, surplus or other funds of Nipuna legally available for the payment of dividends. These preference shares rank senior to all classes of Nipuna's currently existing capital stock or established subsequently with respect to dividend distributions and repayment of capital and premium upon a Bankruptcy Event or Change in Control with respect to Nipuna, unless the terms and conditions of such class expressly provide that such class will rank senior to or on parity with the convertible redeemable cumulative preference shares. The dividend on the preference shares for the year ended March 31, 2007 is payable.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement ("SPRA Agreement") was entered into between Satyam, the Investors and Nipuna. Out of the total preference shares, 50% of the preference shares (US$10 million) would be redeemed for US$13.6 million at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. Since 50% of the Preference Shares are mandatorily redeemable, Satyam has reclassified 50% of the preference shares as a current liability measured at fair value and accrued redemption premium amounting to US$3.6 million up to March 31, 2007.

Further as per the SPRA Agreement, Satyam agrees to purchase and the Investors agree to sell these equity shares at an aggregate purchase price based on a formula. If the share purchase closing occurs on or before the share purchase target date (May 21, 2007) then the purchase price would range from a minimum of US$35 million to maximum of US$45 million, however if an acceleration event occurs the purchase price would equal US$45 million. If the share purchase closing occurs after the share purchase target date then the purchase price shall not be less than US$35 million however if an acceleration event occurs the purchase price shall not be less than US$45 million. This is subject to fulfillment of terms and conditions specified in the agreement and obtaining necessary approvals from appropriate authorities. As of March 31, 2007 an acceleration event has occurred.

The forward contract is freestanding and has been accounted for under SFAS 150 and hence the issuance of Nipuna's equity shares has been considered as a minority interest. The Investors gave Nipuna a Notice of Conversion of Preference Shares and in January 2007 preference shares amounting to US$10 million have been converted into 6,422,267 equity shares of Nipuna. Due to the issue of shares by Nipuna Satyam Computer Services' ownership interest in Nipuna was reduced from 100.0% as at March 31, 2006 to 74.0% as at March 31, 2007. The shares issued to the Investors are at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of US$7.9 million, net of taxes during the year ended March 31, 2007 has been recorded as an increase in additional paid in capital. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam's consolidated statement of income. The Investors holding in Nipuna has been accounted for as a minority interest.

The forward contract has a zero fair vale at inception and at balance sheet date since as per regulatory requirements the transaction can take place only at fair value. Upon settlement of the forward the acquisition of the minority interest would be reflected as a step acquisition with a corresponding reduction in minority interest.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

5. Investments

Investments of Satyam consist of other non-marketable securities.

		(US$ in millions)
	As of March 31,	
	2007	2006
Other investments, at cost	**$ 3.7**	**$ 3.7**
Less: Provision for impairment	(3.7)	(3.7)
Investments — Non current	**—**	**—**

Satyam records an investment impairment charge on other non-marketable investments, which are carried at cost, when management believes an investment has experienced a decline in value that is judged to be other than temporary. Satyam monitors its investments for impairment by considering current factors including economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the investment. Based on its assessment of its carrying values of investments, Satyam impaired the entire carrying value of other non-marketable investments as of March 31, 2003 due to adverse changes in the above factors.

6. Investments in bank deposits

Investments in bank deposits represent term deposits placed with banks earning fixed rate of interest. Investments in bank deposits with maturities of less than a year are disclosed as current assets and with maturities of more than one year as non current. Interest on investments in bank deposits is recognized on accrual basis. Investments in bank deposits amounted to US$767.6 million and US$403.7 million as of March 31, 2007 and 2006 respectively with maturities of more than two years (as of March 31, 2007).

7. Investments in associated companies

The carrying values of investments in various associated companies of Satyam are as follows:

		(US$ in millions)
	As of March 31,	
	2007	2006
Satyam Venture	$ 3.5	$ 2.7
CA Satyam	1.1	0.8
Total	**$ 4.6**	**$ 3.5**

Sify

On November 7, 2005, Satyam Computer Services offered to sell an aggregate of 11,182,600 equity shares, representing its entire investment of 31.61% of the outstanding equity shares of Sify. The sale transaction was consummated on November 9, 2005 at a sale price of US$5.60 per equity share aggregating to US$62.3 million.

Satyam Computer Services accounted for its share of equity in earnings/(losses) of Sify under equity method of accounting upto November 9, 2005. The excess of sale proceeds (net of transaction costs) over the carrying value of investment in Sify as on the date of sale amounting to US$43.6 million has been recognized as gain in the statement of income during the year ended March 31, 2006.

Satyam Computer Services' equity in loss of Sify, net of taxes amounted to US$Nil, US$1.3 million and US$1.7 million for the years ended March 31, 2007, 2006 and 2005 respectively.

Satyam Venture

On October 28, 1999, Satyam Computer Services entered into an agreement with Venture Industries, USA ("Venture") to form an equally held joint venture company Satyam Venture Engineering Services Private Limited. ("Satyam Venture"). Satyam Computer Services holds 50% in Satyam Venture. The joint venture was formed on January 3, 2000 at Hyderabad, India. Satyam Venture is engaged in providing engineering solutions, software development and customization services specifically for the automotive industries worldwide. Satyam Computer Services' equity in the profit of Satyam Venture, net of taxes amounted to US$0.6 million, US$0.5 million and US$0.7 million for the years ended March 31, 2007, 2006 and 2005 respectively. (Also refer note 19(f)).

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

CA Satyam

On December 29, 2000, Satyam Computer Services entered into an agreement with Computer Associates International, Inc. ("CA") to form an equally held joint venture company CA Satyam ASP Private Limited ("CA Satyam"). Satyam Computer Services holds 50% in CA Satyam. The joint venture was formed in January 2001, at Mumbai, India. As per the agreement, both Satyam Computer Services and CA have invested US$1.5 million each in the joint venture. Satyam Computer Services equity in the profit / (losses) of CA Satyam, net of taxes amounted to US$0.2 million, US$(15) thousand and US$(0.1) million for the years ended March 31, 2007, 2006 and 2005 respectively.

8. Premises, Equipment and Depreciation

Premises and equipment at cost less accumulated depreciation consist of:

	(US$ in millions) As of March 31, 2007	2006
Freehold land	$ 8.9	$ 7.0
Leasehold land	1.9	1.8
Premises	24.5	23.6
Computers including servers	131.2	109.7
System software	24.7	21.0
Office equipment	69.0	61.6
Furniture and fixtures	47.4	40.1
Vehicles	9.0	7.0
Assets under construction	70.8	19.9
Total	**387.4**	**291.7**
Less: Accumulated depreciation	(224.3)	(185.1)
Premises and equipment, net	**$ 163.1**	**$ 106.6**

Satyam has established the estimated useful lives of assets for depreciation purposes as follows:

Premises	28 years
Computers including servers	2 — 5 years
System Software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation expense amounted to US$32.4 million, US$30.6 million and US$25.0 million for the years ended March 31, 2007, 2006 and 2005 respectively.

9. Goodwill

Goodwill consists of:

	(US$ in millions) As of March 31, 2007	2006
Goodwill		
Acquisition of Citisoft Plc	$ 15.0	$ 10.5
Acquisition of Knowledge Dynamics Pte Ltd	2.1	2.0
Acquisition of minority interest in		
Satyam Enterprise Solutions Limited	23.9	23.1
Satyam Technologies Inc.	3.7	3.6
Total	**44.7**	**39.2**
Less: Accumulated amortization	(12.0)	(11.6)
Goodwill, net	**$ 32.7**	**$ 27.6**

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

The following table presents the reconciliation of changes in carrying values of goodwill:

(US$ in millions)

	Year ended March 31, 2007	2006	2005
Goodwill at the beginning of the year	**$ 27.6**	**$ 15.5**	**$ 15.5**
Acquisitions during the year	4.4	12.4	—
Impairment during the year	—	—	—
Change due to foreign exchange	0.7	(0.3)	—
Goodwill at the end of the year	**$ 32.7**	**$ 27.6**	**$ 15.5**

Goodwill represents the excess of amount paid towards purchase price over the fair value of assets acquired, and relates to the acquisition of the minority interest in Satyam Enterprise Solutions Limited and Satyam Technologies Inc., and acquisition of Citisoft Plc. and Knowledge Dynamics Pte Ltd., by Satyam Computer Services. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may not be recoverable as provided under FAS 142.

10. Intangible assets, net

Intangible assets consist of:

(US$ in millions)

		As of March 31, 2007			2006		
Acquired and amortized intangible assets	**Weighted average life (in years)**	**Gross carrying amount**	**Accumulated amortization**	**Net intangible assets**	**Gross carrying amount**	**Accumulated amortization**	**Net intangible assets**
Citisoft Plc							
Customer Relationship	8	$6.3	(1.4)	$4.9	$4.9	$(0.6)	$4.3
Customer Contracts	6	1.1	(0.2)	0.9	0.8	(0.1)	0.7
Trade name	5	0.8	(0.2)	0.6	0.6	(0.1)	0.5
Total		**$8.2**	(1.8)	**$6.4**	**$6.3**	**$(0.8)**	**$5.5**
Knowledge Dynamics							
Customer Contracts and Related Relationships	9	$1.1	$(0.3)	$0.8	$1.0	$(0.1)	$0.9
Trade name	3	0.1	—	0.1	0.1	—	0.1
Internally developed technology	3	0.1	—	0.1	0.1	—	0.1
Total		**$1.3**	**$(0.3)**	**$1.0**	**$1.2**	**$(0.1)**	**$1.1**

During the year Satyam has not recognized any impairment of other intangible assets. Satyam has adopted the provisions of SFAS No. 141 and 142, and has accordingly assessed the remaining useful lives of identified intangibles with definite useful lives and provides for amortization over the determined useful life of the asset. Satyam does not have any intangible assets with indefinite useful life.

The following table presents the reconciliation of changes in carrying values of other intangible assets:

(US$ in millions)

	Year ended March 31, 2007	2006	2005
Identifiable intangibles at the beginning of the year	**$ 6.6**	**—**	**—**
Acquisitions during the year	1.1	$ 8.0	—
Amortization during the year	(1.2)	(0.9)	—
Change due to foreign exchange	0.9	(0.5)	—
Identifiable intangibles at the end of the year	**$ 7.4**	**$ 6.6**	**—**

The expected future annual amortization expense of other intangible assets is as follows:

	US$ in millions
Estimated amortization expense:	
For the year ended March 31,	
2008	$ 1.4
2009	1.3
2010	1.2
2011	1.1
2012	1.0
Beyond 2012	1.4

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

11. Income Taxes

The income tax expense consists of:

	(US$ in millions) Year ended March 31, 2007	2006	2005
Foreign taxes			
Current	$ 10.4	$ 15.4	$ 18.1
Deferred	(0.7)	(0.8)	(0.6)
Domestic taxes			
Current	26.9	27.4	9.1
Deferred	(6.0)	(4.3)	(1.3)
Aggregate taxes	**$ 30.6**	**$ 37.7**	**$ 25.3**

A reconciliation of the income tax expense to the amount computed by applying the statutory income tax rate to income before income tax expense is summarized below:

	(US$ in millions) Year ended March 31, 2007	2006	2005
Net income before taxes	**$ 328.2**	**$ 287.8**	**$ 180.2**
Enacted tax rates in India	33.66%	33.66%	36.59%
Computed tax expense	**$ 110.5**	**$ 96.9**	**$ 65.9**
Tax effect due to non-taxable export income	(98.4)	(75.3)	(52.7)
Difference arising from different tax rates in other tax jurisdictions	12.0	10.2	5.5
Difference arising from different tax rates on gain on sale of investment	—	(7.0)	—
Stock- based compensation (non-deductible)	4.0	0.3	0.7
Changes in valuation allowance, including losses of subsidiaries	1.7	5.4	3.5
Effect of tax rate change	—	0.1	—
Others	0.8	7.1	2.4
Income taxes recognized in the statement of income	**$ 30.6**	**$ 37.7**	**$ 25.3**

The current provision for income taxes, net of payments, were US$15.5 million and US$8.5 million as of March 31, 2007 and 2006 respectively. The foreign taxes are due to income taxes payable in overseas tax jurisdictions by its offsite and onsite centers, principally in the United States. Satyam Computer Services benefits from tax incentive provided to software entities as an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operations of software development facilities designated as “Software Technology Parks” (“STP units”). The benefit of this tax incentive has historically resulted in an effective tax rate for Satyam Computer Services well below statutory rates. In case of Satyam Computer Services for various registered STP units these exemptions expire starting from fiscal 2006 through fiscal 2009. Satyam Computer Services subsidiaries are subject to income taxes of the countries in which they operate.

Satyam has not recognized deferred income taxes arising on income of Satyam Computer Services due to the tax benefit available to it in the form of a exemption from taxable income, except to the extent of timing differences which reverse after the tax holiday period or unless they reverse under foreign taxes. However, Satyam Computer Services earns certain other income and domestic income, which are taxable irrespective of the tax holiday as stated above.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Significant components of activities that gave rise to deferred tax assets and liabilities included in the financial statements are as follows:

	(US$ in millions) As of March 31, 2007	2006
Deferred tax assets:		
Operating loss carry forwards	$ 26.6	$ 24.0
Provision for accounts receivable, advances and investments	4.2	5.7
Premises and equipment	3.3	0.5
Provision for gratuity and unutilized leaves	12.8	6.5
Gross deferred tax assets	46.9	**36.7**
Less: Valuation allowance	(26.6)	(24.0)
Total deferred tax assets	**20.3**	**12.7**
Deferred tax liabilities:		
Premises and equipment	(6.3)	(6.4)
Provision for accounts receivable and advances	(3.0)	(2.8)
Intangible assets	(2.5)	(2.2)
Investments in associated companies and gain on dilution	(2.8)	(0.3)
Total deferred tax liabilities	**(14.6)**	**(11.7)**
Net deferred tax assets/ (liabilities)	**$ 5.7**	**$ 1.0**

Satyam has not provided for any deferred income taxes on undistributed earnings of foreign subsidiaries due to the losses incurred by them since their inception. These losses aggregated to approximately US$39.8 million and US$37.8 million as of March 31, 2007 and 2006 respectively.

Operating loss carry forwards for tax purposes of Satyam amounts to approximately US$26.6 million and US$24.0 as of March 31, 2007 and 2006 respectively and are available as an offset against future taxable income of such entities. These carry forwards expire at various dates primarily over 8 to 20 years. Realization is dependent on such subsidiaries generating sufficient taxable income prior to expiration of the loss carry forwards. A valuation allowance is established attributable to deferred tax assets and loss carry forwards in subsidiaries where, based on available evidence, it is more likely than not that they will not be realized. Currently, a full valuation allowance has been made for such losses since we believe that our subsidiaries will not generate sufficient taxable income prior to expiration of carry forwards and under Indian regulations we are not allowed to file a consolidated tax return.

Net deferred tax asset/ (liabilities) included in the consolidated balance sheets are as follows:

	(US$ in millions) As of March 31, 2007	2006
Current assets — deferred income taxes	$ 17.1	$ 10.5
Non-current assets — other assets*	3.3	2.2
Current liabilities — accrued expenses and other liabilities*	(3.1)	(2.8)
Long-term liabilities — deferred income taxes	(11.6)	(8.9)
Net deferred tax asset/ (liabilities)	**$ 5.7**	**$ 1.0**

* *Included in "other assets" and "accrued expenses and other liabilities" respectively.*

12. Borrowings

Short-term debt

Short-term debt amounted to US$10.5 million and US$4.1 million as of March 31, 2007 and 2006 respectively. Short-term debt represents overdraft facility of Nipuna at floating rate of interest of LIBOR+0.25% which is secured by a charge on book debts, accounts receivable and other moveable assets. The weighted-average interest rate on this borrowing was 6.71% and 5.33% for the years ended March 31, 2007 and 2006 respectively.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Long-term debt

Long-term debt outstanding comprise of:

	(US$ in millions) As of March 31, 2007	2006
Secured debts, representing obligation principally to banks and financial institutions		
— 10.25% Rupee loans of SC-Trust, maturing serially through fiscal 2008	—	$ 1.3
— 0.95% above 6 month LIBOR working capital term loan maturing serially through fiscal 2009	10.0	5.6
— 0.95% above 6 month LIBOR external commercial borrowing maturing serially through fiscal 2009	10.6	10.5
Hire Purchase Loans	3.2	2.9
Total Debt	**23.8**	**20.3**
Less: Current portion of long-term debt	(1.6)	(2.4)
Long-term debt, net of current portion	**$ 22.2**	**$ 17.9**

Rupee loans as of March 31, 2006 were secured by equity shares of Satyam Computer Services' held by the SC-Trust and had an interest rate of 10.25%. These rupee loans have been repaid during the year ended March 31, 2007.

Working capital term loan and external commercial borrowing have been taken by Nipuna. Satyam Computer Services has given a corporate guarantee to the bank for these borrowings. These borrowings are repayable in 3 years from each draw down date.

Aggregate maturities of long-term debt subsequent to March 31, 2007, are US$1.6 million in fiscal 2008, US$21.6 million in fiscal 2009, US$0.4 million in fiscal 2010 and US$0.2 million in fiscal 2011.

Unused lines of credit

Unused lines of credit comprise of:

	(US$ in millions) As of March 31, 2007	2006
Short-term debt	$ 9.0	$ 3.8
Long-term debt	—	3.9
Non-fund facilities — Bank Guarantees	16.2	4.4
Total Unused lines of credit	**$ 25.2**	**$ 12.1**

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

13. Employee Benefits

The Gratuity Plan

The following table sets forth the status of the Gratuity Plan of Satyam, and the amounts recognized in Satyam's consolidated balance sheets and statements of income.

(US$ in millions)

	Year ended March 31, 2007	2006	2005
Accumulated benefit obligation	**$ 7.6**	**$ 5.7**	**$ 2.6**
Change in projected benefit obligation			
Projected benefit obligation at beginning of the year	$ 7.8	$ 5.2	$ 4.0
Service cost	2.1	1.9	1.5
Interest cost	0.6	0.4	0.3
Actuarial loss/(gain)	0.6	0.9	(0.3)
Benefits paid	(1.2)	(0.5)	(0.3)
Effect of exchange rate changes	0.3	(0.1)	—
Projected benefit obligation at end of the year	**10.2**	**7.8**	**5.2**
Change in plan assets			
Employer contribution	1.2	0.5	0.3
Benefits paid from plan assets	(1.2)	(0.5)	(0.3)
Fair value of plan assets at end of the year	—	—	—
Funded status of the plans	**(10.2)**	**(7.8)**	**(5.2)**
Unrecognized net actuarial loss	—	1.3	0.4
Accrued benefit cost	**$ (10.2)**	**$ (6.5)**	**$ (4.8)**
The components of net gratuity costs are reflected below:			
Service cost	$ 2.1	$ 1.9	$ 1.5
Interest cost	0.6	0.4	0.3
Amortization	0.1	—	—
Net gratuity costs	**$ 2.8**	**$ 2.3**	**$ 1.8**

The assumptions used in accounting for the gratuity plan for the years ended March 31, 2007, 2006 and 2005 are set out below:

Weighted-average assumptions used to determine benefit obligations:

	Year ended March 31, 2007	2006	2005
Discount rate	9.8%	8.0%	8.0%
Long-term rate of compensation increase	7.0%	7.0%	7.0%

Weighted-average assumptions used to determine net periodic benefit cost:

	Year ended March 31, 2007	2006	2005
Discount rate	9.8%	8.0%	7.0%
Long-term rate of compensation increase	7.0%	7.0%	7.0%

Cash Flows

Satyam expects to contribute US$2.1 million to its Gratuity plan during the year ending March 31, 2008. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	(US$ in millions)
For the financial year ended March 31,	**Expected contribution**
2009	$ 2.3
2010	2.9
2011	3.6
2012	4.6
2013 — 2016	$ 19.2

Effective March 31, 2007, Satyam adopted the provisions of SFAS No. 158. The following table presents the incremental effect of applying SFAS No. 158 on the Consolidated Statement of Financial Position:

	Before application of SFAS 158	**Adjustments**	**After application of SFAS 158**
Current assets — Deferred income taxes	$ 17.0	$ 0.1	$ 17.1
Non-current assets — Other assets	39.0	0.5	39.5
Total Assets	**1,623.5**	**0.6**	**1,624.1**
Current liabilities — Accrued expenses and other current liabilities	148.4	0.2	148.6
Long-term liabilities — Gratuity, excluding current portion	6.5	1.6	8.1
Total Liabilities	**251.3**	**1.8**	**253.1**
Accumulated other comprehensive income, net of tax	62.1	(1.2)	60.9
Total Shareholders' Equity	**$ 1,372.2**	**$ (1.2)**	**$ 1,371.0**

As at March 31, 2007, Satyam recorded unrecognized net gains/(losses) amounting to US$(1.2) million in the Stockholders' equity section as part of Accumulated Other Comprehensive Income, net of tax, of US$0.6 million.

Provident Fund

Satyam's contribution towards the Provident Fund amounted to US$14.7 million, US$10.7 million and US$6.8 million for the years ended March 31, 2007, 2006 and 2005 respectively.

Superannuation Plan

Satyam Computer Services' contribution towards the Superannuation Plan maintained by LIC amounted to US$1.9 million, US$1.2 million and US$0.9 million for the years ended March 31, 2007, 2006 and 2005.

14. Earnings per Share

Basic earning per share is computed on the basis of the weighted average number of shares outstanding (weighted average number of shares issued less unallocated, unvested and unexercised shares held by the SC — Trust). Allocated but unvested or unexercised shares not included in the calculation of weighted-average shares outstanding for basic earnings per share were 146,200 and 106,600 as of March 31, 2007 and 2006 respectively. Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding plus the effect of outstanding stock options using the "treasury stock" method.

In addition to the above, the unallocated shares held by SC — Trust, which are by definition unvested, have been excluded from all earnings per share calculations. Such shares amounted to 2,149,680 and 2,279,680 as of March 31, 2007 and 2006 respectively.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

The components of basic and diluted earnings per share were as follows:

	(US$ in millions except per share data and as stated otherwise)		
	Year ended March 31,		
	2007	**2006**	**2005**
Net income	**$ 298.4**	**$ 249.4**	**$ 153.8**
Equity Shares:			
Average outstanding shares (in millions)	652.5	641.2	632.4
Dilutive effect of Associate Stock Options (in millions)	13.5	21.6	14.8
Share and share equivalents (in millions)	**666.0**	**662.8**	**647.2**
Earnings per share			
Basic	$ 0.46	$ 0.39	$ 0.24
Diluted	$ 0.45	$ 0.38	$ 0.24

15. Stock-based Compensation Plans

ASOP plan

In May 1998, Satyam Computer Services established its Associate Stock Option Plan (the “ASOP plan”), which provided for the issue of 26,000,000 shares, as adjusted to eligible associates. Satyam Computer Services issued warrants to purchase these shares to a controlled associate welfare trust called the Satyam Associate Trust (the “SC-Trust”). In December 1999 the SC- Trust exercised all its warrants to purchase Satyam Computer Services shares prior to the stock split using the proceeds obtained from bank loans. The warrants vest immediately or vest over a period ranging from one to three years. Upon vesting, associates have 30 days in which to exercise these warrants. As of March 31, 2007, warrants (net of lapsed and cancelled) to purchase 23,829,720 equity shares have been granted to associates pursuant to ASOP since inception.

ASOP B plan

In April 2000, Satyam Computer Services established its Associate Stock Option Plan B (the “ASOP B”) and reserved warrants for 83,454,280 shares to be issued to eligible associates with the intention to issue the warrants at the market price of the underlying equity shares on the date of the grant. These warrants vest over a period ranging from two to four years, starting with 20% in second year, 30% in the third year and 50% in the fourth year. Upon vesting, associates have 5 years to exercise these warrants. As of March 31, 2007, options (net of lapsed and cancelled) to purchase 54,582,747 equity shares have been granted to associates under this plan since inception.

ASOP ADS plan

In May 2000, Satyam Computer Services established its Associate Stock Option Plan (ADS) (the ‘ASOP (ADS)’) to be administered by the Administrator of the ASOP (ADS) which is a committee appointed by the Board of Directors of Satyam Computer Services and reserved 5,149,330 ADSs (10,298,660 shares) to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the grant date. These warrants vest over a period of 1-10 years from the grant date. As of March 31, 2007, warrants (net of lapsed and cancelled) for 3,215,800 ADSs representing 6,431,600 equity shares have been granted to associates under the ASOP ADS since inception.

Associate Stock Option Plan — Restricted Stock Units (ASOP — RSUs)

During the year ended March 31, 2007, Satyam Computer Services has established a scheme “Associate Stock Option Plan — Restricted Stock Units (ASOP — RSUs)” to be administered by the Administrator of the ASOP — RSUs, a committee appointed by the Board of Directors of the Company. Under the scheme 13 million equity shares are reserved to be issued to eligible associates at a price to be determined by the Administrator which shall not be less than the face value of the share. ASOP RSUs vest over a period of 1-4 years from the date of the grant. Upon vesting, associates have 5 years in which to exercise these warrants. As of March 31, 2007, warrants for 3,293,140 shares have been granted under the ASOP — RSUs.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Associate Stock Option Plan — RSUs (ADS) (ASOP — RSUs (ADS))

During the year ended March 31, 2007, Satyam Computer Services has established a scheme "Associate Stock Option Plan — RSUs (ADS)" to be administered by the Administrator of the ASOP — RSUs (ADS), a committee appointed by the Board of Directors of the Company. Under the scheme 13 million equity shares minus the number of shares issued from time to time under the Associate Stock Option Plan — RSUs are reserved to be issued to eligible associates at a price to be determined by the Administrator not less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. Upon vesting, associates have 5 years in which to exercise these warrants. As of March 31, 2007, warrants for 236,620 ADS representing 473,240 shares have been granted under the ASOP — RSUs (ADS).

Warrant grants

During the year ended March 31, 2007, the SC-Trust issued immediately vesting warrants for 39,000 shares and warrants for 91,000 (net of Nil warrants cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the year ended March 31, 2007, under the ASOP B plan, Satyam Computer Services issued warrants for Nil (net of 8,180,519 warrants cancelled) shares to the associates. During the same period, under the ASOP (ADS), Satyam Computer Services issued warrants for 20,000 ADS representing 40,000 shares, warrants for 126,142 ADS representing 252,284 shares were cancelled. Further, during the year ended March 31, 2007, under the ASOP — RSUs plan, Satyam Computer Services issued warrants for 3,293,140 shares to the associates. During the same period, under the ASOP — RSUs (ADS) plan, Satyam Computer Services issued warrants for 236,620 ADS representing 473,240 shares to associates under the ASOP — RSUs (ADS) plan.

During the year ended March 31, 2006, the SC-Trust issued immediately vesting warrants for 26,400 shares and warrants for 61,600 (net of Nil warrants cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the year ended March 31, 2006, under the ASOP B plan, Satyam Computer Services issued warrants for 984,362 (net of 5,595,190 warrants cancelled) shares to the associates. During the same period, under the ASOP (ADS), Satyam Computer Services issued warrants for 139,986 ADS representing 279,972 (net of warrants for 180,444 ADS representing 360,888 shares cancelled) shares to associates under the ASOP (ADS) plan.

During the year ended March 31, 2005, the SC-Trust issued immediately vesting warrants for 101,680 and warrants for 769,000 (net of Nil warrants cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the year, under the ASOP B plan, Satyam Computer Services issued warrants for 23,914,466 (net of 4,497,048 warrants cancelled) shares to the associates. During the year, under the ASOP (ADS), Satyam Computer Services issued warrants for 529,120 ADS representing 1,058,240 (net of warrants for 204,328 ADS representing 408,656 shares cancelled) shares to associates under the ASOP (ADS) plan.

Changes in number of equity shares representing stock options outstanding for each of the plans were as follows:

	Year ended March 31,					
	2007		2006		2005	
ASOP Plan	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the year	**106,600**	**$ 1.42**	**481,000**	**$1.18**	**116,400**	**$1.00**
Granted	130,000	$ 1.67	88,000	$1.37	870,680	$1.12
Exercised	(90,400)	$ 1.39	(462,400)	$1.13	(506,080)	$1.05
Cancelled	—	—	—	—	—	—
Lapsed	—	—	—	—	—	—
Balance at the end of the year	**146,200**	**$ 1.69**	**106,600**	**$1.42**	**481,000**	**$1.18**
Exercisable at the end of the year	—	—	—	—	—	—
Weighted average fair value of options granted during the year		$10.24		$6.08		$3.83

The aggregate grant date intrinsic value of stock options outstanding under ASOP Plan was US$2.6 million, US$0.2 million and US$0.3 million for the years ended March 31, 2007, 2006 and 2005 respectively. As of March 31, 2007 options vested and expected to vest are 146,200 with an aggregate grant date intrinsic value of US$2.6 million.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

ASOP B	Year ended March 31, 2007 Number of equity shares	2007 Weighted Average Exercise Price	2006 Number of equity shares	2006 Weighted Average Exercise Price	2005 Number of equity shares	2005 Weighted Average Exercise Price
Balance at the beginning of the year	**45,605,388**	**$3.74**	**53,660,630**	**$3.57**	**35,020,962**	**$3.03**
Granted	—	—	6,579,552	$4.71	28,411,514	$4.03
Exercised	(17,448,659)	$3.80	(9,039,604)	$3.05	(5,274,798)	$2.51
Cancelled	(8,180,519)	$3.88	(5,595,190)	$3.77	(4,497,048)	$3.34
Balance at the end of the year	**19,976,210**	**$3.89**	**45,605,388**	**$3.74**	**53,660,630**	**$3.57**
Exercisable at the end of the year	6,001,418	$4.06	10,248,808	$3.43	11,390,396	$3.38
Weighted average fair value of options granted during the year	—	—		$4.71		$4.03

As of March 31, 2007 options vested and expected to vest are 16,780,016 with an aggregate grant date intrinsic value of US$Nil.

ASOP (ADS)	Year ended March 31, 2007 Number of equity shares	2007 Weighted Average Exercise Price	2006 Number of equity shares	2006 Weighted Average Exercise Price	2005 Number of equity shares	2005 Weighted Average Exercise Price
Balance at the beginning of the year	**3,982,684**	**$ 4.12**	**5,031,604**	**$3.71**	**4,725,728**	**$2.96**
Granted	40,000	$10.02	640,860	$5.74	1,466,896	$5.71
Exercised	(848,272)	$ 2.89	(1,328,892)	$2.69	(752,364)	$2.71
Cancelled	(252,284)	$ 4.42	(360,888)	$7.41	(408,656)	$3.91
Balance at the end of the year	**2,922,128**	**$ 4.89**	**3,982,684**	**$4.25**	**5,031,604**	**$3.71**
Exercisable at the end of the year	1,985,282	$ 8.33	1,865,764	$2.97	1,427,400	$2.72
Weighted average fair value of options granted during the year		$10.02		$5.74		$5.71

As of March 31, 2007 options vested and expected to vest are 2,600,294 with an aggregate grant date intrinsic value of US$Nil.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

RSU Plan	2007 Number of equity shares	2007 Weighted Average Exercise Price	2006 Number of equity shares	2006 Weighted Average Exercise Price	2005 Number of equity shares	2005 Weighted Average Exercise Price
Balance at the beginning of the year	—	—	—	—	—	—
Granted	3,293,140	$ 0.05	—	—	—	—
Exercised	—	—	—	—	—	—
Cancelled	—	—	—	—	—	—
Lapsed	—	—	—	—	—	—
Balance at the end of the year	**3,293,140**	**$ 0.05**	—	—	—	—
Exercisable at the end of the year	—	—	—	—	—	—
Weighted average fair value of options granted during the year	—	$11.77	—	—	—	—

(Year ended March 31,)

The aggregate grant date intrinsic value of stock options outstanding under ASOP RSU Plan was US$31.1 million, US$Nil and US$Nil for the years ended March 31, 2007, 2006 and 2005 respectively. As of March 31, 2007 options vested and expected to vest are 2,852,518 with an aggregate grant date intrinsic value of US$28.0 million.

RSU ADS Plan	2007 Number of equity shares	2007 Weighted Average Exercise Price	2006 Number of equity shares	2006 Weighted Average Exercise Price	2005 Number of equity shares	2005 Weighted Average Exercise Price
Balance at the beginning of the year	—	—	—	—	—	—
Granted	473,240	$ 0.05	—	—	—	—
Exercised	—	—	—	—	—	—
Cancelled	—	—	—	—	—	—
Lapsed	—	—	—	—	—	—
Balance at the end of the year	**473,240**	**$ 0.05**	—	—	—	—
Exercisable at the end of the year	—	—	—	—	—	—
Weighted average fair value of options granted during the year		$24.05	—	—	—	—

The aggregate grant date intrinsic value of stock options outstanding under ASOP RSU ADS Plan was US$4.9 million, US$Nil and US$Nil for the years ended March 31, 2007, 2006 and 2005 respectively. As of March 31, 2007 options vested and expected to vest are 426,910 with an aggregate grant date intrinsic value of US$4.6 million.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Information about number of equity shares representing stock options outstanding as on March 31, 2007:

Range of Exercise Price (per equity share)		Outstanding: Weighted Average Exercise Price (per equity share)	Outstanding: Weighted Average remaining contractual life	Outstanding: Number of equity shares arising out of options	Exercisable: Weighted Average Exercise Price (per equity share)	Exercisable: Number of equity shares arising out of options
Rs.2.00	$ 0.05	Rs.2.25				
Rs.4.00	$ 0.09	$ 0.05	7.23 Years	3,766,380	—	—
Rs.70.57	$ 1.64	Rs.148.07			Rs.135.08	
Rs.172.68	$ 4.01	$ 3.44	5.49 Years	10,149,014	$ 3.13	2,593,992
Rs.172.69	$ 4.01	Rs.204.72			Rs.214.51	
Rs.430.68	$ 9.99	$ 4.75	5.72 Years	11,237,734	$ 4.98	4,511,728
Rs.430.69	$ 9.99	Rs.521.02			Rs.504.66	
Rs. 863.67	$20.04	$12.09	5.84 Years	1,657,790	$11.71	880,980

The US$ numbers in the above tables have been translated using the closing exchange rate as of March 31, 2007 1US$= Rs43.10

There are no grants with the exercise price in the range of Rs.4.01 — Rs.70.56 (US$0.10 — US$1.63).

Stock-based compensation

Satyam's Consolidated Financial Statements as of and for the year ended March 31, 2007 reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. As required by SFAS 123(R), management has made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. Upon adoption of SFAS 123R, Satyam had no cumulative adjustment on account of expected forfeitures for stock-based awards granted prior to April 1, 2006. During the year ended March 31, 2007, Satyam recorded stock-based compensation related to stock options of US$15.7 million on graded vesting basis for all unvested options granted prior to and options granted after the adoption of SFAS 123(R). As of March 31, 2007, there was US$45.3 million of unrecognized compensation cost related to unvested options which is expected to be recognized over a weighted average period of 3.84 years. Satyam issues new shares to satisfy share option exercise. Cash received from option exercises amounted to US$64.4 million, US$31.0 million and US$15.4 million for the years ended March 31, 2007, 2006 and 2005 respectively.

The fair value of each option award is estimated on the date of grant using the Black Scholes option-pricing model. The following table gives the weighted-average assumptions used to determine fair value:

	Year ended March 31, 2007
Dividend yield	0.78%
Expected volatility	59%
Risk-free interest rate	8%
Expected term (in years)	0.96

Expected Term: The expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior.

Risk-Free Interest Rate: The risk-free interest rate is based on the applicable rates of government securities in effect at the time of grant.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Expected Volatility: The fair values of stock-based payments were valued using a volatility factor based on the Company's historical stock prices.

Expected Dividend: The Black Scholes option-pricing model calls for a single expected dividend yield as an input.

Estimated Pre-vesting Forfeitures: When estimating forfeitures, the Company considers voluntary termination behavior. Estimated forfeiture rates are trued-up to actual forfeiture results as the stock-based awards vest.

Stock based compensation plan of Nipuna

In April 2004, Nipuna established its Employee Stock Option Plan (the "ESOP"). As per the ESOP, the options were granted at fair value as determined by an independent valuer as on the date of the grant and hence no compensation cost has been recognized. These options vest starting with 33.33% at the end of the second year, 33.33% at the end of the third year and remaining 33.34% at the end of the fourth year from the date of grant.

Changes in number of equity shares representing stock options outstanding were as follows:

	Year ended March 31,					
	2007		2006		2005	
ASOP Plan	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the year	**1,215,506**	**$1.80**	**813,578**	**$1.83**	**—**	**—**
Granted	324,000	1.77	655,000	$1.77	813,578	**$1.78**
Exercised	—	—	—	—	—	—
Cancelled	(540,804)	1.77	(253,072)	$1.77	—	—
Lapsed	—	—	—	—	—	—
Balance at the end of the year	**998,702**	**$1.86**	**1,215,506**	**$1.80**	**813,578**	**$1.83**
Exercisable at the end of the year	—	—	—	—	—	—
Weighted average fair value of options granted during the year		$1.77		$1.77		$1.78

16. Segmental Reporting

Satyam has adopted SFAS 131; *"Disclosures about Segments of an Enterprise and Related Information"* which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on stand-alone revenues and net income for the companies in Satyam. The executive management evaluates Satyam's operating segments based on the following two business groups:

- *IT services*, providing a comprehensive range of services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions, infrastructure management services. Satyam provides its customers the ability to meet all of their information technology needs from one service provider. Satyam's eBusiness services include designing, developing integrating and maintaining Internet-based applications, such as eCommerce websites, and implementing packaged software applications, such as customer or supply chain management software applications. Satyam also assists its customers in making their existing computing systems accessible over the Internet. The segment information includes the results of Citisoft and Knowledge Dynamics which were acquired during last year.
- *Business Process Outsourcing*, providing BPO services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Satyam's operating segment information for the years ended March 31, 2007, 2006 and 2005 are as follows:

Business Segments

(US$ in millions)

	IT Services	BPO	Elimination	Consolidated totals
For the year ended March 31, 2007				
Revenue — External customers	1,432.5	28.9	—	1,461.4
Revenue — Inter-segment	0.6	9.2	(9.8)	—
Total Revenues	**1,433.1**	**38.1**	**(9.8)**	**1,461.4**
Operating income / (loss)	294.0	(2.4)	—	291.6
Equity in earnings/(losses) of associated companies, net of taxes	0.8	—	—	0.8
Net income / (loss)	302.7	(4.3)	—	298.4
Segment assets	1,605.3	42.5	(23.7)	1,624.1
Depreciation and amortization	30.4	3.2	—	33.6
Capital expenditures for long-lived assets	79.6	4.2	—	83.8
For the year ended March 31, 2006				
Revenue — External customers	$1,082.7	$13.6	—	$1,096.3
Revenue — Inter-segment	0.8	6.4	(7.2)	—
Total Revenues	**1,083.5**	**20.0**	**(7.2)**	**1096.3**
Operating income / (loss)	228.5	(8.8)	—	219.7
Equity in earnings/(losses) of associated companies, net of taxes	(0.8)	—	—	(0.8)
Net income / (loss)	259.0	(9.6)	—	249.4
Segment assets	1,170.8	27.7	(17.3)	1,181.2
Depreciation	29.0	2.5	—	31.5
Capital expenditures for long-lived assets	53.4	3.2	—	56.6
For the year ended March 31, 2005				
Revenue — External customers	$ 786.7	$ 6.9	—	$ 793.6
Revenue — Inter-segment	0.7	3.1	$ (3.8)	—
Total Revenues	**787.4**	**10.0**	**(3.8)**	**793.6**
Operating income / (loss)	171.8	(9.3)	—	162.5
Equity in earnings/(losses) of associated companies, net of taxes	(1.1)	—	—	(1.1)
Net income	163.7	(9.9)	—	153.8
Segment assets	885.2	16.1	(17.2)	884.1
Depreciation	23.4	1.6	—	25.0
Capital expenditures for long-lived assets	37.4	3.7	—	41.1

The capital expenditures for long-lived assets in the above table represent the additions to premises and equipment (fixed assets) of each segment.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Geographic Information

The revenues that are attributable to countries based on location of customers and long-lived assets are as follows:

(US$ in millions)

	Year ended March 31, 2007 Revenues from external customers	2007 Long-lived assets	2006 Revenues from external customers	2006 Long-lived assets	2005 Revenues from external customers	2005 Long-lived assets
United States	$ 924.0	$ 4.1	$ 711.2	$ 4.0	$ 542.4	$ 4.0
Europe	276.5	1.4	206.3	0.9	131.7	0.6
India	75.2	194.8	45.1	133.1	27.2	92.2
Japan	20.8	0.4	15.5	0.5	13.9	0.5
Rest of the World	164.9	2.5	118.2	2.3	78.4	2.3
Total	**$ 1,461.4**	**$ 203.2**	**$ 1,096.3**	**$ 140.8**	**$ 793.6**	**$ 99.6**

The long-lived assets in the above table represent premises and equipment and intangible assets of each segment.

17. Related Party Transactions

Related party transactions comprise of

(US$ in millions)

	Year ended March 31, 2007	2006	2005
Infrastructure and other services provided by Satyam to			
Sify, its subsidiaries and associated companies	—	—	$ 0.1
Satyam Venture	$ 0.5	$ 0.5	0.3
Short term advance provided by Satyam to			
CA Satyam	—	0.1	—
Total	**$ 0.5**	**$ 0.6**	**$ 0.4**
Infrastructure and other services received by Satyam from			
Sify, its subsidiaries and associated companies	—	$ 2.9	$ 1.5
Satyam Venture	$ 8.6	8.6	7.1
CA Satyam	0.2	—	—
Total	**$ 8.8**	**$ 11.5**	**$ 8.6**

The balances receivable from and payable to related parties are as follows:

(US$ in millions)

Amount due from/(to) associated companies	As of March 31, 2007	2006
Satyam Venture	$ (2.6)	$ (1.8)
CA Satyam	—	0.1
Total	**$ (2.6)**	**$ (1.7)**

18. Shareholders' Equity and Dividends

Increase in authorized share capital

On August 21, 2006, the shareholders of Satyam Computer Services approved for increase in authorized capital of the Company from 375 million equity shares to 800 million equity shares.

Stock Split (in the form of stock dividend)

On August 21, 2006, the shareholders of Satyam Computer Services approved a two-for-one stock split (in the form of stock dividend) which was effective on October 10, 2006. Consequently, Satyam capitalized an amount of US$17.7 million from its retained earnings to common stock. All references in the financial statements to number of shares, per share amounts, stock option data, and market prices of Satyam Computer Services' equity shares have been retroactively restated to reflect the stock split unless otherwise noted.

Dividends

Final dividends proposed by the Board of Directors are payable when formally declared by the shareholders, who have the right to decrease but not increase the amount of the dividend recommended by the Board of Directors. The Board of Directors declares interim dividends without the need for shareholders' approval.

Dividends payable to equity shareholders are based on the net income available for distribution as reported in Satyam Computer Services unconsolidated financial statements prepared in accordance with Indian GAAP. As such, dividends are declared and paid in Indian Rupees. The net income in accordance with U.S. GAAP may, in certain years, either not be fully available or will be additionally available for distribution to equity shareholders. Under Indian GAAP the retained earnings available for distribution to equity shareholders was US$1,062.6 million, US$786.9 million and US$559.8 million for the years ended March 31, 2007, 2006 and 2005 respectively.

Under the Indian Companies Act, dividends may be paid out of the profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10.0% of the par value of its equity shares, a company is required to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10.0%, depending on the dividend percentage to be declared in such year.

19. Contingencies and Commitments

a) Funding and Warrant commitments — Nipuna

Satyam Computer Services has guaranteed payment of all sums payable by Nipuna to the Investors on redemption of the 0.05% cumulative convertible redeemable preference shares. Satyam Computer Services, Nipuna and the investors had also entered into a warrant agreement whereby Nipuna agreed to issue to the Investors, one warrant in consideration of and based upon every US$0.1 million referral revenues received by Nipuna or its subsidiaries. As of March 31, 2007, there were no referral revenues and hence no warrants have been issued.

b) Citisoft Plc and Knowledge Dynamics Pte Ltd.

For commitments relating to Citisoft and Knowledge Dynamics refer note 3.

c) Bank guarantees

Bank guarantees outstanding are US$23.1 million and US$13.4 million as of March 31, 2007 and 2006 respectively. Bank guarantees are generally provided to government agencies, excise and customs authorities for the purposes of maintaining a bonded warehouse. These guarantees may be revoked by the governmental agencies if they suffer any losses or damage through the breach of any of the covenants contained in the agreements.

d) Capital commitments

Contractual commitments for capital expenditure pending execution were US$38.2 million and US$26.7 million as of March 31, 2007 and 2006 respectively. Contractual commitments for capital expenditures are relating to acquisition of premises and equipment.

e) Operating leases

Satyam has certain operating leases for land, office premises and guesthouses. Rental expenses for operating leases are accounted for on a straight line method. Rental expense amounted to US$23.7 million, US$17.5 and US$12.5 million for the years ended March 31, 2007, 2006 and 2005 respectively.

Future minimum annual lease commitments for non-cancelable lease arrangements, including those leases for which renewal options may be exercised as of March 31, 2007 are US$4.6 million in fiscal 2008, US$2.7 million in fiscal 2009, US$1.0 million in fiscal 2010, US$0.6 million in fiscal 2011 and thereafter.

f) Venture Global Engineering LLC, USA

Satyam Computer Services had filed a request for arbitration with the London Court of International Arbitration ("LCIA") naming Venture Global Engineering LLC, USA ("VGE") as respondent. The Arbitration concerned a dispute between Satyam Computer Services and VGE in connection with their joint venture Satyam Venture Engineering Services Private Limited ("SVES").

The LCIA Arbitrator issued his Final Award on April 3, 2006 in favour of Satyam Computer Services. Satyam Computer Services has filed a petition to recognize and enforce the Award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois. Management believes that this will not have any adverse effect upon Satyam's results of operations, financial condition and cash flows.

20. Concentration of Credit Risk

Accounts receivable balances are typically unsecured and are derived from revenues earned from customers primarily located in the United States. Satyam monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. The following table gives details in respect of percentage of revenues generated from top two and top five customers:

	Year ended March 31,		
	2007	2006	2005
Revenues generated from top two customers			
Customer I	6.34%	8.80%	10.81%
Customer II	4.41%	5.14%	7.35%
Total revenues from top five customers	21.04%	24.21%	29.21%

21. Financial Instruments

Forward and options contracts

Satyam Computer Services enters into foreign exchange forward and options contracts where the counter party is generally a bank. Satyam Computer Services considers the risks of non-performance by the counter party as not material.

The following tables give details in respect of our outstanding foreign exchange forward and options contracts:

(US$ in millions)

	As of March 31,	
	2007	2006
Aggregate contracted principal amounts of contracts outstanding:		
Forward contracts	$ 100.0	$ 79.0
Options contracts	352.6	137.0
Total	**$ 452.6**	**$ 216.0**
Balance sheet exposure:		
Forward contracts	$ 2.1	$ 0.4
Options contracts	2.4	(1.8)
Total	**$ 4.5**	**$ (1.4)**

The outstanding foreign exchange forward and options contracts as of March 31, 2007 mature between one to fourteen months.

Gains/(losses) on foreign exchange forward and options contracts are included under the heading other income/(expense) in the statement of income are as stated below:

(US$ in millions)

	Year ended March 31,		
	2007	2006	2005
Forward contracts	$ 2.6	$ 0.8	$ (0.5)
Options contracts	3.6	(1.6)	0.2
Total	**$ 6.2**	**$ (0.8)**	**$ (0.3)**

Fair value

The carrying amounts reported in the balance sheets for cash and cash equivalents, trade and other receivables, investments, amounts due to or from related parties, short-term debts, accounts payable and other liabilities approximate their respective fair values due to their short maturity and due to no change in the interest rates for bank deposits. The approximate fair value of long-term debts, as determined by using current interest rates was US$23.8 million and US$20.3 million as of March 31, 2007 and 2006 respectively as compared to the carrying amounts of US$23.8 million and US$20.3 million as of March 31, 2007 and 2006 respectively.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

22. Schedules of Balance sheet

a) Cash and Cash Equivalents

The cash and cash equivalents consist of:

	(US$ in millions) As of March 31, 2007	2006
Cash and bank balances	$ 138.2	$ 258.9
Cash equivalents	14.0	33.9
Cash and cash equivalents	**$ 152.2**	**$ 292.8**

b) Accounts receivable and allowance for doubtful debts

Accounts receivable consist of:

	(US$ in millions) As of March 31, 2007	2006
Customers (trade)	$ 386.9	$ 238.1
Related parties	0.1	1.0
Less: Allowance for doubtful debts	(22.8)	(19.1)
Accounts receivable, net	**$ 364.2**	**$ 220.0**

The allowance for doubtful debt is established at amounts considered to be appropriate based primarily upon Satyam's past credit loss experience and an evaluation of potential losses on the outstanding receivable balances.

c) Prepaid Expenses and Other Receivables

Prepaid expenses and other receivables consist of:

	(US$ in millions) As of March 31, 2007	2006
Interest accrued on bank deposits	—	$ 24.9
Prepaid expenses	$ 8.1	5.3
Directors liability insurance	0.3	0.4
Advance for expenses	9.3	12.0
Loans and advance to employees	13.8	6.2
Other advances and receivables	9.4	2.4
Less: Allowance for doubtful advances	(3.8)	(2.3)
Prepaid expenses and other receivables	**$ 37.1**	**$ 48.9**

Prepaid expenses principally include the un-expired portion of annual rentals paid for use of leased telecommunication lines, satellite link charges, and insurance premiums.

Others advances and receivables include the current portion of the restricted cash in the form of deposits placed with banks to obtain bank guarantees amounted to US$2.1 million and US$0.4 million as of March 31, 2007 and 2006 respectively.

d) Other Assets

Other assets consist of:

	(US$ in millions) As of March 31, 2007	2006
Interest accrued on bank deposits	$ 15.1	—
Deposits	20.8	$ 17.0
Loans and advances to employees due after one year	0.9	0.8
Deferred taxes on income	3.3	2.2
Others	1.0	1.4
Less: Allowance for doubtful advances	(1.6)	(1.5)
Other Assets	**$ 39.5**	**$ 19.9**

Others include the non-current portion of the restricted cash in the form of deposits placed with banks to obtain bank guarantees amounted to US$0.3 million and US$0.7 million as of March 31, 2007 and 2006 respectively. Telephone and other deposits are primarily attributable to deposits with government organizations principally to obtain leased telephone lines and electricity supplies and advance payments to vendors for the supply of goods and rendering of services.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

e) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of:

	(US$ in millions) As of March 31, 2007	2006
Accrued expenses	$ 99.0	$ 79.6
Unclaimed dividend	1.5	1.1
Provision for taxation, net of payments	15.5	8.5
Provision for gratuity and unutilised leave	29.5	12.0
Deferred taxes on income	3.1	2.8
Accrued expenses and other current liabilities	**$ 148.6**	**$ 104.0**

Table of Contents

Satyam Computer Services Limited
Financial Statement Schedule

Financial Statement Schedule -Valuation and qualifying accounts

1. Change in valuation allowance on deferred tax assets:

	(US$ in millions) Year ended March 31, 2007	2006	2005
At the beginning of the year	$ 24.0	$ 21.1	$ 17.6
Change during the year	1.7	3.3	3.5
Change due to foreign exchange	0.9	(0.4)	—
At the end of the year	**$ 26.6**	**$ 24.0**	**$ 21.1**

2. Allowance for doubtful accounts on trade accounts receivable:

	(US$ in millions) Year ended March 31, 2007	2006	2005
At the beginning of the year	$ 19.1	$ 17.5	$ 13.9
Additions	3.6	4.2	7.5
Write offs, net of recoveries	(0.6)	(2.2)	(3.8)
Change due to foreign exchange	0.7	(0.4)	(0.1)
At the end of the year	**$ 22.8**	**$ 19.1**	**$ 17.5**

3. Allowance for doubtful advances:

a) Prepaid Expenses and Other Receivables

	(US$ in millions) Year ended March 31, 2007	2006	2005
At the beginning of the year	$ 2.3	$ 1.7	$ 1.6
Additions	1.3	0.6	0.1
Write offs, net of recoveries	—	—	—
Change due to foreign exchange	0.2	—	—
At the end of the year	**$ 3.8**	**$ 2.3**	**$ 1.7**

b) Other Assets

	(US$ in millions) Year ended March 31, 2007	2006	2005
At the beginning of the year	$ 1.5	$ 1.5	$ 1.5
Additions	—	—	—
Write offs, net of recoveries	—	—	—
Change due to foreign exchange	0.1	—	—
At the end of the year	**$ 1.6**	**$ 1.5**	**$ 1.5**

ANNUAL REPORT ON FORM 20-F FOR THE FISCAL YEAR ENDED 31 MARCH 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from _________ to _________

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 Date of event requiring this shell company report**

For the fiscal year ended March 31, 2006 **Commission file number 001-15190**

Satyam Computer Services Limited
(Exact Name of Registrant as Specified in Its Charter)

N/A	Republic of India
(Translation of Registrant's Name Into English)	(Jurisdiction of Incorporation or Organization)

Satyam Technology Center
Bahadurpallay Village
Qutbullapur Mandal, R.R. District- 500855
Hyderabad, Andhra Pradesh
India
(91) 40-5523 3505
(Address and Telephone Number of Principal Executive Offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act:
American Depositary Shares, each represented by two Equity Shares, par value Rs.2 per share.
(Title of Class)
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None
(Title of Class)

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☑ No ☐

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 324,449,539 equity shares, including 64,680,600 underlying equity shares for 32,340,300 ADSs, were issued and outstanding as of March 31, 2006.

If this report is an annual or transition report, indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligation under those Sections. Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☐ No ☐

TABLE OF CONTENTS

SATYAM COMPUTER SERVICES LIMITED

CURRENCY OF PRESENTATION AND CERTAIN DEFINED TERMS

Unless otherwise stated in this Annual Report or unless the context otherwise requires, references in this Annual Report on Form 20-F, or "Annual Report", to "we," "our," "us," "Satyam" and "our company" are to Satyam Computer Services Limited and its consolidated subsidiaries and other consolidated entities.

In this Annual Report, references to "US", "Dollars" or the "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. References to "$," "Dollars" or "U.S. dollars" are to the legal currency of the United States, and references to "Rs.," "rupees" or "Indian rupees" are to the legal currency of India. References to a particular "fiscal" year are to our fiscal year ended March 31 of such year.

For your convenience, this Annual Report contains translations of some Indian rupee amounts into U.S. dollars which should not be construed as a representation that those Indian rupee or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Indian rupees, as the case may be, at any particular rate, the rate stated below, or at all.

Except as otherwise stated in this Annual Report, all translations from Indian rupees to U.S. dollars contained in this Annual Report have been based on the noon buying rate in the City of New York on March 31, 2006 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on March 31, 2006 was Rs. 44.48 per $1.00.

Information contained in our websites, including our corporate website, www.satyam.com, is not part of this Annual Report.

FORWARD-LOOKING STATEMENTS MAY PROVE INACCURATE

IN ADDITION TO HISTORICAL INFORMATION, THIS ANNUAL REPORT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE SECTION ENTITLED "ITEM 3. KEY INFORMATION—RISK FACTORS", "ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS" AND ELSEWHERE IN THIS ANNUAL REPORT. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE \FORWARD-LOOKING STATEMENTS, WHICH REFLECT MANAGEMENT'S ANALYSIS ONLY AS OF THE DATE OF THIS ANNUAL REPORT. IN ADDITION, YOU SHOULD CAREFULLY REVIEW THE OTHER INFORMATION IN THIS ANNUAL REPORT AND IN OUR QUARTERLY REPORTS AND OTHER DOCUMENTS FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, OR SEC, FROM TIME TO TIME. OUR FILINGS WITH THE SEC ARE AVAILABLE ON ITS WEBSITE, WWW.SEC.GOV.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Financial Data

You should read the following selected consolidated historical financial data in conjunction with our financial statements and the related notes and "Item 5. Operating and Financial Review and Prospects" included elsewhere in this Annual Report. The statement of operations data for the five years ended March 31, 2006 and the balance sheet data as of March 31, 2006, 2005, 2004, 2003 and 2002 are derived from our consolidated audited financial statements including the notes, which have been prepared and presented in accordance with U.S. GAAP. As of December 9, 2002, we ceased to hold a controlling interest in Sify Limited, or Sify, and subsequently changed the method of accounting for our interest in Sify from the consolidated accounting method to the equity method. Consequently, financial data as of March 31, 2005, 2004 and 2003 and for the year ended March 31, 2006, 2005 and 2004 reflect our interest in Sify accounted for under the equity method and are not comparable to the financial data as of March 31, 2002 and for the years ended March 31, 2003, and 2002 which reflect our interest in Sify accounted for on a consolidated basis. On May 12, 2005, we acquired a 75% interest in Citisoft Plc and on October 1, 2005, we acquired 100% of the shares of Knowledge Dynamics Pte Ltd. On November 9, 2005, we sold our entire 31.6% stake in Sify as a result of which Sify ceased to be our associate company. As a result of the above, financial data as of March 31, 2006 and for the year ended March 31, 2006 are not comparable to financial data as of March 31, 2005, 2004, 2003 and 2002 and for the years ended March 31, 2005, 2004, 2003 and 2002.

	Year Ended March 31,				
	2006	2005	2004	2003	2002
	(dollars in millions, except per share and per ADS data, or as stated otherwise)				
Statement of operations data					
Revenues:					
IT services	$ 1,082.7	$ 786.7	$ 565.1	$ 459.2	$ 414.5
BPO	13.6	6.9	1.3	—	—
Total revenues	1,096.3	793.6	566.4	459.2	414.5
Cost of revenues[1]	(689.0)	(506.8)	(343.6)	(275.2)	(240.3)
Gross profit	407.3	286.8	222.8	184.0	174.2
Operating expenses:					
Selling, general and administrative expenses[2]	(187.6)	(124.3)	(101.7)	(116.9)	(139.6)
Amortization of goodwill	—	—	—	—	(17.0)
Impairment of goodwill	—	—	—	—	(81.1)
Impairment of other non-marketable investments	—	—	—	(3.3)	—
Reversal of put option charge	—	—	—	19.8	—
Total operating expenses	(187.6)	(124.3)	(101.7)	(100.4)	(237.7)
Operating income/(loss)	219.7	162.5	121.1	83.6	(63.5)
Interest income	26.3	22.3	20.3	7.2	3.8
Interest expense	(1.3)	(0.4)	(0.5)	(0.8)	(2.9)
Gain on sale of shares in associated companies/ other investments	43.6	—	2.7	0.8	45.6
Gain/(loss) on foreign exchange transactions	0.3	(4.6)	(8.9)	(4.8)	10.8
Other income/(expenses), net	(0.8)	0.4	2.3	(1.7)	1.3
Income/(loss) before income taxes, minority interest and equity in earnings/ (loss) of associated companies	287.8	180.2	137.0	84.3	(4.9)
Income taxes	(37.7)	(25.3)	(22.5)	(9.8)	(0.7)
Minority interest	0.1	—	—	11.1	73.4
Income before equity in earnings/(losses) of associated companies	250.2	154.9	114.5	85.6	67.8
Equity in earnings/ (losses) of associated companies, net of taxes	(0.8)	(1.1)	(2.6)	(3.3)	(25.4)
Net income (loss)	$ 249.4	$ 153.8	$ 111.9	$ 82.3	$ 42.4

	Year Ended March 31,				
	2006	2005	2004	2003	2002
	(dollars in millions, except per share and per ADS data, or as stated otherwise)				
Earnings (loss) per share:					
Basic	$ 0.78	$ 0.49	$ 0.36	$ 0.26	$ 0.14
Diluted	0.75	0.48	0.35	0.26	0.14
Earnings (loss) per ADS:					
Basic	1.56	0.98	0.71	0.53	0.28
Diluted	1.50	0.96	0.71	0.52	0.28
Weighted average equity shares used in computing earnings per shares (in millions):					
Basic	320.6	316.2	313.2	311.8	305.8
Diluted	331.4	323.6	317.1	318.7	307.1
Weighted average equity shares used in computing earnings per ADS:					
Basic	160.3	158.1	156.6	155.9	152.9
Diluted	165.7	161.8	158.5	159.3	153.6
Cash dividend per equity share	0.11	0.12	0.08	0.03	0.02
Cash dividend per ADS	0.22	0.24	0.17	0.06	0.02

(1) Inclusive of stock-based compensation expense of $Nil, $0.8 million, $0.9 million, $1.6 million and $7.2 million in fiscal 2006, 2005, 2004, 2003 and 2002 respectively.

(2) Inclusive of stock-based compensation expense of $0.8 million, $1.1 million, $0.8 million, $2.9 million and $3.6 million in fiscal 2006, 2005, 2004, 2003 and 2002 respectively.

	As at March 31,				
	2006	2005	2004	2003	2002
	(dollars in millions)				
Balance sheet data					
Cash and cash equivalents	$ 292.8	$129.8	$ 86.7	$ 62.2	$243.4
Investments in bank deposits	403.7	411.6	332.1	259.4	—
Total assets	1,181.2	884.1	713.8	561.7	515.6
Total long-term debt, excluding current portion	17.9	1.2	1.8	1.7	2.7
Preferred stock of subsidiary	20.0	20.0	10.0	—	—
Total shareholders' equity	994.4	767.9	633.9	487.7	394.4
Capital stock[1]	481.5	449.5	431.7	421.6	419.1

(1) Includes common stock and additional paid-in capital but excludes shares held by Satyam Associate Trust.

SFAS 142 pro forma disclosure

Effective April 1, 2002, Satyam adopted Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets.* Due to the adoption of SFAS 142, Satyam ceased amortizing goodwill. The effect of this accounting change is reflected prospectively. The following pro forma disclosure presents the impact of SFAS 142 on net income, net income per share, and the related tax effect had the standard been in effect for the year ended March 31, 2002:

	Year Ended March 31, 2002
	(dollars in millions except per share amount)
Reported net income	$ 42.4
Add:	
Goodwill amortization	17.0
Amortization of excess of cost of investment over equity in net assets of associated companies	3.6
Adjusted net income	$ 63.0
Basic and diluted earnings per share:	
As reported	$ 0.14
As adjusted	0.21

Risk Factors

Any investment in our ADSs involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information contained in this Annual Report, before you decide to buy our ADSs. If any of the following risks actually occur, our company could be seriously harmed. In any such case, the market price of our ADSs could decline, and you may lose all or part of the money you paid to buy our ADSs.

Risks Related to Our Overall Operations

Our revenues and profitability are difficult to predict and can vary significantly from period to period which could cause our share price to decline significantly.

Our revenues and profitability have grown rapidly in recent years and may fluctuate significantly in the future from period to period. Therefore, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as an indication of our future performance. The quarterly fluctuation of revenues is primarily because we derive our revenues from fees for services generated on a project-by-project basis. Our projects vary in size, scope and duration. For example, we have some projects that employ several people for only a few weeks and we have other projects that employ over 100 people for six months or more. A customer that accounts for a significant portion of our revenue in a particular period may not account for a similar portion of our revenue in future periods. In addition, customers may cancel contracts or defer projects at any time for a number of different reasons. Furthermore, increasing wage pressures, employee attrition, pressure on billing rates, the time and expense needed to train and productively utilize new employees and changes in the proportion of services rendered offshore can affect our profitability in any period. There are also a number of factors, other than our performance, that are not within our control that could cause fluctuations in our operating results from period to period. These include (i) the duration of tax holidays or tax exemptions and the availability of other Government of India incentives; (ii) currency fluctuations, particularly when the rupee appreciates in value against the U.S. dollar, since the majority of our revenues are in U.S. dollars and a significant part of our costs are in rupees; and (iii) other general economic and political factors. As a result, our revenues and our operating results in a particular period are difficult to predict, may decline in comparison to corresponding prior periods regardless of the strength of our business. If this were to occur, the share price of our equity shares and our ADSs would likely decline significantly.

Any inability to manage our rapid growth could disrupt our business and reduce our profitability.

We have experienced significant growth in recent periods. In fiscal 2006 our total revenues increased by 38.1% as compared to fiscal 2005, and in fiscal 2005 our total revenues increased by 40.1% as compared to fiscal 2004. As of March 31, 2006, we had 28,624 employees, whom we refer to as associates, worldwide as compared to 20,690 associates as of March 31, 2005. In addition, we are continuing our geographical expansion. We have offshore facilities in India and overseas facilities located in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States. In addition, we have sales and marketing offices located in Canada, Germany, Italy, the Netherlands, Spain, Sweden, United Kingdom and United States and sales and marketing offices located in the rest of the world.

We expect our growth to place significant demands on our management and other resources and to require us to continue to develop and improve our operational, financial and other internal controls, both in India and elsewhere. In particular, continued growth increases the challenges involved in:

- recruiting and retaining sufficiently skilled technical, marketing and management personnel;
- providing adequate training and supervision to maintain our high quality standards;
- preserving our culture and values and our entrepreneurial environment; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

Our inability to manage our growth effectively could disrupt our business and reduce our profitability.

The current economic environment, pricing pressure and rising wages in India have negatively impacted our revenues and operating results.

Spending on IT in most parts of the world has recently increased after a two-year decreasing trend due to a challenging global economic environment. We do experience pricing pressures from our customers, which can negatively impact our operating results. If economic growth slows, our utilization and billing rates for our associates could be adversely affected which may result in lower gross and operating profits.

Wage costs in India, including in the IT services industry, have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive advantages. However, large companies are establishing offshore operations in India, resulting in wage pressures for Indian companies, which may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased cost of IT professionals, particularly project managers and other mid-level professionals. We may need to increase the levels of our employee compensation more rapidly than in the past to remain competitive with other employers, or seek to recruit in other low labor cost jurisdictions to keep our wage costs low. Compensation increases may result in a material adverse effect on our financial performance.

Our business will suffer if we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and the industries on which we focus.

The IT services market is characterized by rapid technological change, evolving industry standards, changing customer preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product and service offerings to meet customer needs and complement our offerings of end-to-end IT services. For example, we have invested significant resources in research and development efforts, such as in our enterprise business solution laboratory and grid computing laboratory, in order to continually develop capabilities to provide new services to our customers. Should we fail to develop such capabilities on a timely basis to keep pace with the rapidly changing IT market or if the services or technologies that we develop are not successful in the marketplace, our business and profitability will suffer and it is unlikely that we would be able to recover our research and development costs. Moreover, products, services or technologies that are developed by our competitors may render our services non-competitive or obsolete.

Our revenues are highly dependent on customers primarily located in the United States and customers concentrated in certain industries, and economic slowdowns or factors that affect the economic health of the United States and our customers' industries may affect our business.

In fiscal 2006, 2005 and 2004, approximately 64.9%, 68.3% and 73.3%, respectively, of our total revenues were derived from the United States. For the same periods, we earned 28.6%, 29.2% and 32.0% of our IT revenues from the manufacturing industry and 18.5%, 17.8% and 18.3%, of our IT revenues from the banking and finance industry respectively. If the current economic recovery in the United States does not continue, our customers may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability. Further, any significant decrease in the growth of the manufacturing or banking and finance industries, or significant consolidation in these industries, or other industry segments on which we focus, may reduce the demand for our services and negatively affect our revenues and profitability.

Recently, some countries and organizations have expressed concerns about a perceived association between offshore outsourcing and the loss of jobs. In the United States, in particular, there has been increasing political and media attention on these issues following the growth of offshore outsourcing. Any changes in existing laws or the enactment of new legislation restricting offshore outsourcing may adversely impact our ability to do business in the United States, which is the largest market for our services. In the recent past, some U.S. states have proposed legislation restricting government agencies from outsourcing their back office processes and IT solutions work to companies outside the United States or have enacted laws that limit or to discourage such outsourcing. Such laws restrict our ability to do business with U.S. government- related entities. It is also possible that U.S. private sector companies working with these governmental entities may be restricted from outsourcing projects related to government contracts or may face disincentives if they outsource certain projects. Any of these events could adversely affect our revenues and profitability. Similarly, recent legislation has come into effect in the United Kingdom in April 2006 requiring in certain circumstances offshore outsourcing providers have to compensate U.K. employees for loss of jobs arising from the offshore migration of business processes.

We face intense competition in the IT services and BPO markets which could prevent us from attracting and retaining customers and could reduce our revenues.

The markets for IT services and BPO are rapidly evolving and highly competitive, and we expect that competition will continue to intensify. We face competition in India and elsewhere from a number of companies, including:

- consulting firms such as Accenture, BearingPoint, Capgemini and Deloitte Consulting;
- divisions of large multinational technology firms such as Hewlett-Packard and IBM;
- IT outsourcing firms such as Computer Sciences Corporation, Electronic Data Systems and IBM Global Services; and
- offshore IT services firms such as Infosys Technologies Limited, Tata Consultancy Services Limited and Wipro Limited.

We also compete with software firms such as Oracle and SAP, service groups of computer equipment companies, in-house IT departments of large corporations, programming companies and temporary staffing firms. Nipuna, through which we provide BPO services, faces competition from firms like Progeon Limited and Wipro BPO, formerly known as Wipro Spectramind.

In addition, we have agreed not to compete with Nipuna as part of the investor rights and securities subscription agreements which we have entered into with Nipuna's two other investors. Pursuant to these agreements, we and our affiliates are restricted from engaging in activities that are or could directly or indirectly be competitive with the business of Nipuna. Such activities include among others providing BPO, soliciting existing or prospective customers of Nipuna to obtain the services offered by Nipuna from other service providers and investing in companies engaged in the same or similar business as Nipuna. These non-compete restrictions apply until the investors redeem all of their preference shares in Nipuna or their equity interest in Nipuna falls below 5% after an initial public offering. As a consequence, we currently offer and plan to continue to offer BPO services only through Nipuna. We cannot assure you that these non-compete restrictions will not adversely affect our ability to attract and retain customers in this competitive market or that they will not adversely affect our revenues.

A significant part of our competitive advantage has historically been the cost advantage relative to service providers in the United States and Europe. Since wage costs in this industry in India are presently increasing at a faster rate than those in the United States and Europe, our ability to compete effectively will become increasingly dependent on our reputation, the quality of our services and our expertise in specific markets. Many of our competitors have significantly greater financial, technical and marketing resources and generate greater revenues than us, and we cannot assure you that we will be able to compete successfully with such competitors and will not lose existing customers to such competitors. We believe that our ability to compete also depends in part on a number of factors outside our control, including the ability of our competitors to attract, train, motivate and retain highly skilled technical associates, the price at which our competitors offer comparable services and the extent of our competitors' responsiveness to customer needs.

Our revenues are highly dependent upon a small number of customers.

We derive a significant portion of our revenues from a limited number of corporate customers. In fiscal 2006, 2005 and 2004, our largest customer together with its affiliates, accounted for 8.8%, 10.8% and 14.3%, respectively, of our total revenues. In fiscal 2006, 2005 and 2004, our second largest customer accounted for 5.1%, 7.4% and 9.9%, respectively, of our total revenues. In fiscal 2006, 2005 and 2004, our five largest customers accounted for 24.2%, 29.2% and 36.4%

respectively, of our total revenues. The volume of work performed for specific customers is likely to vary from year to year, particularly since we are usually not the exclusive outside service provider for our customers.

There are a number of factors other than our performance that could cause the loss of a customer and that may not be predictable. In certain cases, we have significantly reduced the services provided to a customer when the customer either changed its outsourcing strategy by moving more work in-house or replaced its existing software with packaged software supported by the licensor. Some customers could also potentially develop competing offshore IT centers in India and as a result, work that may otherwise be outsourced to us may instead be performed in-house. Reduced technology spending in response to a challenging economic or competitive environment may also result in lower revenues or loss of a customer. If we lose one of our major customers or one of our major customers significantly reduces its volume of business with us, our revenues and profitability could be reduced.

Our fixed-price contracts expose us to additional risks, many of which are beyond our control, which may reduce the profitability of these contracts.

As a core element of our business strategy, we offer a portion of our services on a fixed-price basis, along-with a time-and-materials basis. In fiscal 2006, 2005 and 2004, we derived 35.1%, 34.2% and 31.7%, respectively, of our IT services revenues from fixed-price contracts. Although we use our software engineering processes and past project experience to reduce the risks associated with estimating, planning and performing fixed-price projects, we bear the risk of cost overruns, completion delays and wage inflation in connection with these projects. We may also have to pay damages to our customers for completion delays. Many of these project risks may be beyond our control. Our failure to accurately estimate the resources and time required for a project, future wage inflation and currency exchange rates, or our failure to complete our contractual obligations within the time frame committed could reduce the profitability of our fixed-price contracts.

Our customers may terminate projects before completion or choose not to renew contracts, many of which are terminable at will, which could adversely affect our profitability.

Our contracts with customers do not commit our customers to provide us with a specific volume of business and can typically be terminated by our customers with or without cause, with little or no advance notice and without penalty. Any failure to meet a customer's expectations could result in a cancellation or non-renewal of a contract. Additionally, our contracts with customers are typically limited to a specific project and not any future work. Our multi-year contracts will be due for renewal from time to time, and we cannot assure you that our customers will choose to renew such contracts for a similar or longer duration, on terms as favorable as their current terms or at all. Other than our performance, there are also a number of factors not within our control that could cause the loss of a customer. Our customers may demand price reductions, change their outsourcing strategy by moving more work in-house or to one of our competitors, or replace their existing software with packaged software supported by licensors, any of which could reduce our revenue and profitability.

A number of our customer contracts are conditioned upon our performance, which, if unsatisfactory, could result in less revenues than previously anticipated.

We continue to consider the viability of introducing performance-based or variable-pricing contracts. Should we increase our use of value-based pricing terms, it will become more difficult for us to predict the revenues we will receive from our customer contracts, as such contracts would likely contain a higher number of contingent terms for payment of our fees by our customers. Our failure to meet contract goals or a customer's expectations in such performance-based contracts may result in lower revenues, and a less profitable or an unprofitable engagement.

Some of our multi-year customer contracts contain certain provisions which, if triggered, could result in lower future revenues and profitability under the contract.

Some of our multi-year customer contracts contain benchmarking provisions, most favored customer clause and/or provisions restricting personnel from working on projects of our customers' competitors. Benchmarking provisions allow a customer in certain circumstances to request a benchmark study prepared by an agreed upon third-party comparing our pricing, performance and efficiency gains for delivered contract services with that of an agreed list of other service providers for comparable services. Based on the results of the benchmarking study and depending on the reasons for any unfavorable variance, we may be required to make improvements in the services we provide or to reduce the pricing for services to be performed under the balance term of the contract, which may result in lower future revenues and profitability under the contract.

Most favored customer clauses generally provide that if, during the term of the contract, we were to offer similar services to any other customers on terms and conditions more favorable than those provided in such contract, we would be obligated to offer equally favorable terms and conditions to the customer. As pricing pressures increase, some customers may demand price reductions or other pricing incentives. Any pricing reduction agreed to in a subsequent contract may require us to offer equally favorable terms to other customers with whom we have a most favored contract under the remaining term of contracts with those customers which may result in lower future revenues and profitability.

A number of our customer contracts provide that, during the term of the contract and for a certain period thereafter ranging from six to twelve months, we may not provide similar services to any of their competitors using the same personnel. This restriction may hamper our ability to compete for and provide services to customers in the same industry, which may result in lower future revenues and profitability.

We may be unable to attract skilled professionals in the competitive labor market.

Our ability to execute projects and to obtain new customers depends largely on our ability to attract, train, motivate and retain highly skilled technical associates, particularly project managers, project leaders and other senior technical personnel. We believe that there is significant competition for technical associates who possess the skills needed to perform the services that we offer. An inability to hire and retain additional qualified personnel will impair our ability to bid for or obtain new projects and to continue to expand our business. Also, we cannot assure you that we will be able to assimilate and manage new technical associates effectively. In fiscal 2006, 2005 and 2004, we experienced associate attrition in the IT services segment at a rate of 19.2%, 16.5% and 17.5%, respectively. Any increase in our attrition rates, particularly the attrition rate of experienced software engineers, project managers and project leaders, could harm our growth strategy. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of replacement technical associates with the requisite skills to replace those technical associates who leave. Further, we cannot assure you that we will be able to redeploy and retrain our technical associates to keep pace with continuing changes in evolving technologies and changing customer preferences. Should we be unable to successfully recruit, retain, redeploy or retrain our technical associates, we may become less attractive to potential customers and may fail to satisfy the demands of existing customers, which would result in a decrease in revenues and profitability.

We dedicate significant resources to develop international operations which may be more difficult to manage and operate.

In addition to our offshore IT centers in India, we have established IT centers in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States and plan to open additional international facilities. Because of our limited experience in managing and operating facilities outside of India, we are subject to additional risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws, restrictions on the import and export of certain technologies and multiple and possibly overlapping tax structures. In addition, we may face competition in other countries from companies that may have more experience with local conditions or with international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture.

We are investing substantial cash assets in new facilities and physical infrastructure and our profitability could be reduced if our business does not grow proportionately.

As of March 31, 2006, we had contractual commitments of approximately $26.7 million for capital expenditures, and we estimate spending a further $75.0 million until March 2007. We may encounter cost overruns or project delays in connection with new facilities. These expansions will significantly increase our fixed costs. If we are unable to grow our business and revenues proportionately, our profitability will be reduced.

Restrictions on immigration may affect our ability to compete for and provide services to customers in the United States and in other countries, which could hamper our growth and cause our revenues to decline.

The vast majority of our employees are Indian nationals. Most of our projects require a portion of the work to be completed at the customer's location which is typically outside India. The ability of our associates to work in the United States, Europe and in other countries outside India depends on the ability to obtain the necessary visas and work permits. As of March 31, 2006, the majority of our associates located outside India were in the United States and held either H-1B visas, allowing the employee to remain in the United States during the term of the work permit and work as long as he or she remains an employee of the sponsoring firm, or L-1 visas, allowing the employee to stay in the United States only temporarily. Although there is no limit to new L-1 visas, there is a limit to the aggregate number of new H-1B visas that the U.S. Citizenship and Immigration Services, or CIS, may approve in any government fiscal year. The recent 2005 Appropriations Bill further precludes foreign companies from obtaining L-1 visas for employees with specialized knowledge: (1) if such employees will be stationed primarily at the worksite of another company in the U.S. and the employee will not be controlled and supervised by his employer, or (2) if the placement is essentially an arrangement to provide labor for hire rather than in connection with the employee's specialized knowledge. The CIS has also issued new guidelines to more closely verify the qualifying criteria to restrict the liberal usage of L1visas. Immigration laws in the United States may also require us to meet certain levels of compensation and to comply with other legal requirements including labor certifications as a condition to obtaining or maintaining work visas for our associates working in the United States. The CIS announced on August 10, 2005 that it had received sufficient applications to fill up all 65,000 visas that were available for the year. In November 2005, the CIS announced that it was considering increasing the H1B by adding another 30,000 visas; however this has not yet happened.

Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our employees. Our reliance on work visas for a significant number of employees makes us particularly vulnerable to such changes and variations as it affects our ability to staff projects with associates who are not citizens of the country where the work is to be performed. As a result, we may not be able to obtain a sufficient number of visas for our employees or may encounter delays or additional costs in obtaining or maintaining the condition of such visas.

We may engage in acquisitions, strategic investments, strategic partnerships or alliances or other ventures that may or may not be successful.

We may acquire or make strategic investments in complementary businesses, technologies, services or products, or enter into strategic partnerships or alliances with third parties in order to enhance our business. It is possible that we may not be able to identify suitable acquisitions targets and candidates for strategic investments or partnerships, or if we do identify such targets or candidates, we may not be able to complete those transactions on terms commercially acceptable to us, or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may affect our competitiveness and our growth prospects. As of the date of this document, we have no agreements or understanding to enter into any material acquisition, investment, partnership, joint venture or alliance.

If we acquire a company, we could have difficulty in assimilating that company's personnel, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us. In some cases, we could have difficulty in integrating the acquired products, services or technologies into our operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

We may make strategic investments in early-stage technology start-up companies in order to gain experience in or exploit niche technologies. However, our investments may not be successful. The lack of profitability of any of our investments could have a material adverse effect on our operating results.

System failure could disrupt our business.

To deliver our services to our customers, we must maintain a high speed network of satellite, fiber optic and land lines and an active voice and data communications 24 hours a day between our main offices in Hyderabad, our other IT centers in India and globally and the offices of our customers worldwide. Any systems failure or a significant lapse in our ability to transmit voice and data through satellite and telephone communications could result in lost customers and curtailed operations which would reduce our revenue and profitability.

We may be liable to our customers for damages caused by disclosure of confidential information or system failure.

We are often required to collect and store sensitive or confidential customer and consumer data. Many of our customer agreements do not limit our potential liability for breaches of confidentiality. If any person, including any of our employees, penetrates our network security or misappropriates sensitive data, we could be subject to significant liability from our customers or from our customers' clients for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential customer and consumer data, whether through breach of our computer systems, system failure or otherwise, could damage our reputation and cause us to lose customers. Many of our contracts involve projects that are critical to the operations of our customers' businesses and provide benefits which may be difficult to quantify. Any failure in a customer's system or breaches of security could result in a claim for substantial damages against us, regardless of our alleged responsibility for such failure. Generally, we attempt to limit our contractual liability for consequential damages in rendering our services; however these limitations on liability may be unenforceable in some cases, or may be insufficient to protect us from liability for damages. In respect of some of our contracts, we sub-contract a part of the work to certain sub-contractors. We are liable to our customers for any breach or non-performance by our sub-contractors under the sub-contracts. We maintain general liability insurance coverage, including coverage for errors and omissions; however this coverage may not continue to be available on reasonable terms and may be unavailable in sufficient amounts to cover one or more large claims. Further, an insurer might disclaim coverage as to any future claim. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or results in changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our operating results and profitability.

Our success depends in large part upon our management team and key personnel and our ability to attract and retain them.

We are highly dependent on the senior members of our management team. Our future performance will be affected by any disruptions in the continued service of these persons. We do not maintain key man life insurance for any of the senior members of our management team or other key personnel, except for our chief executive officer. Competition for senior management in our industry is intense, and we may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. The loss of any member of our senior management team or other key personnel may have a material adverse effect on our business, results of operations and financial condition.

Our insiders are significant shareholders, are able to control the election of our board and may have interests which conflict with those of our shareholders or holders of our ADSs.

Our executive officers and directors, together with members of their immediate families, beneficially owned, in the aggregate approximately 8.59% of our outstanding equity shares as of March 31, 2006. As a result, acting together, this group has the ability to exercise significant control over most matters requiring our shareholders' approval, including the election and removal of directors and significant corporate transactions. These insider shareholders may exercise control even if they are opposed by our other shareholders. Without the consent of these insider shareholders, we could be delayed or prevented from entering into transactions (including the acquisition of our company by third parties) that may be viewed as beneficial to the Company and all of the shareholders.

Our financial results are impacted by the financial results of entities that we do not control.

As of March 31, 2006, we have a significant, non-controlling interests in Satyam Venture Engineering Services Private Limited, or Satyam Venture, and CA Satyam ASP Private Limited, or CA Satyam, that are accounted for under U.S. GAAP using the equity method of accounting. Under this method, we are obligated to report as "Equity in earnings (losses) of associated companies, net of taxes" a pro-rata portion of the financial results of any such company in our statement of operations even though we do not control such company but have the ability to exercise certain influence over their operating and financial policies. Thus, our reported results of operations can be significantly higher or lower depending on the results of Satyam Venture and CA Satyam or other companies in which we may make similar investments even though we may have only a limited ability to influence their activities. We may also be required to record additional impairment charges in their carrying value if we deem the investment to be impaired due to adverse events, many of which are outside of our control, on their business, results of operations and financial condition in future periods. Currently, we make estimates in the preparation of financial statements including the utility of goodwill. Changes in such estimates resulting from events, many of which are outside of our control, may result in the impairment of goodwill which would negatively impact our net income under U.S. GAAP. Such impact on net income may result in a reduction of the market value of our shares.

The value of our interest in our subsidiaries may decline.

Nipuna, our subsidiary, has experienced losses during each year since its inception and it is likely that it will continue to experience such losses in the future. Our recently acquired subsidiaries, Citisoft and Knowledge Dynamics have also experienced losses since our acquisition and they may also incur losses that might have an adverse effect on our operating results in future periods.

Stock-based compensation expenses may significantly reduce our net income under U.S. GAAP.

Although Satyam has suspended, except in certain cases, new grants of stock options as of April 1, 2005, our reported income under U.S. GAAP has been and will continue to be affected by the grant of warrants or options under our various employee benefit plans. Under the terms of our existing plans, some of which have outstanding obligations to grant options in future, employees are typically granted warrants or options to purchase equity shares at a substantial discount to the current market value. These grants require us to record non-cash compensation expenses under currently applicable U.S. GAAP, amortized over the vesting period of the warrants or options. Depending on the market value or fair value of our equity shares on the dates the outstanding grants were made and future grants are made, amortization of deferred stock-based compensation may contribute to reducing our operating income and net income under U.S. GAAP. Our subsidiaries also have stock option schemes which have and will continue to generate stock-based compensation expenses and have and will reduce our operating income and net income.

Our earnings will be adversely affected once we change our accounting policies with respect to the expensing of stock options.

Currently we account for share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, *Accounting for Stock Issued to Employees,* and have adopted the pro forma disclosure provisions of the Statement of Financial Accounting Standard, or SFAS No. 123, *Accounting for Stock-Based Compensation.* On December 16, 2004, the FASB issued FAS 123R, *Share-Based Payment, an amendment of FASB Statements No. 123 and 95*, which requires that such transactions be accounted for using a fair-value-based method and recognized as expenses in our consolidated statement of operations. As of the required effective date, the standard requires that the modified prospective method be used, which requires that the fair value of new awards granted from the beginning of the year of adoption (plus unvested awards at the date of adoption) be expensed over the vesting period. In addition, the statement encourages the use of the "binomial" approach to value stock options, which differs from the Black-Scholes option pricing model that we currently use in the footnotes to our consolidated financial statements. Many companies have or are in the process of changing their accounting policies to expense the fair value of stock options. This change in the accounting policy with respect to the treatment of employee stock option grants will adversely affect our earnings and will have a significant impact on our consolidated statement of operations as we will be required to expense the fair value of our stock option grants rather than expensing the intrinsic value of stock options as is our current practice. FAS 123R has become applicable to Satyam for annual periods beginning after June 15, 2005. Management estimates the likely impact of SFAS 123R to be similar to the amounts disclosed as pro forma disclosures in accordance with SFAS 123.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new U.S. Securities and Exchange Commission, or SEC, regulations, the NYSE, rules, Securities and Exchange Board of India, or SEBI, rules, and Indian stock market listing regulations are creating uncertainty for companies like ours. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment requires the commitment of significant financial and managerial resources. We consistently assess the adequacy of our internal controls over financial reporting, remediate any control deficiencies that may be identified, and validate through testing that our controls are functioning as documented. While we do not anticipate any material weaknesses or significant deficiencies, our independent auditors may be unable to issue unqualified attestation reports on management's assessment on the operating effectiveness of our internal controls over financial reporting.

Additionally, under revised corporate governance standards adopted by The Stock Exchange, Mumbai, or the BSE, and The National Stock Exchange of India Limited, or the NSE, which we collectively refer to as the Indian Stock Exchanges, we have been required to comply with additional standards from December 31, 2005. These standards include a certification by our chief executive officer and chief financial officer that they have evaluated the effectiveness of our internal control systems and that they have disclosed to our auditors and our audit committee any deficiencies in the design or operation of our internal controls of which they may become aware, as well as any steps taken or proposed to resolve the deficiencies.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, the new laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws, regulations or standards of corporate governance, our business and reputation may be harmed.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic issuer, which may, among other things, limit the information available to holders of our securities.

As a foreign private issuer, we are subject to requirements under the Securities Act of 1933, as amended, or Securities Act, and the Securities Exchange Act of 1934, as amended, or Exchange Act, which are different from the requirements applicable to domestic U.S. issuers. For example, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules there under with respect to their purchases and sales of our ordinary shares and/or ADSs. The periodic disclosure required of foreign private issuers is more limited than the periodic disclosure required of domestic U.S. issuers and therefore there may be less publicly available information about us than is regularly published by or about U.S. public companies in the United States.

Terrorist attacks or a war could adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the attacks of September 11, 2001 in the United States, and other acts of violence or war, such as the continuing conflict in Iraq, have the potential to have a direct impact on our customers. To the extent that such attacks affect or involve the United States, our business may be significantly impacted, as the majority of our revenues are derived from customers located in the United States. In addition, such attacks may make travel more difficult, may make it more difficult to obtain work visas for many of our associates who are required to work in the United States, and may effectively curtail our ability to deliver our services to our customers. Such obstacles to operate our business may increase our expenses and negatively affect the results of our operations. Many of our customers visit several IT services firms, including their offshore facilities, prior to reaching a decision on vendor selection. Terrorist threats, attacks or war could make travel to our facilities more difficult for our customers and may delay, postpone or cancel decisions to use our services.

Risks Related to Investments in Indian Companies

We are incorporated in India, and a substantial portion of our assets and our employees are located in India. Consequently, our financial performance and the market price of our ADSs will be affected by changes in exchange rates and controls, interest rates, Government of India policies, including taxation policies, as well as political, social and economic developments affecting India.

The Government of India has recently taken actions to curtail or eliminate tax benefits that we have historically benefited from.

The statutory corporate income tax rate in India is currently 30.0%. This tax rate is presently subject to a 10.0% surcharge. The amount of tax and surcharge payable is further subject to a 2.0% education cess, resulting in an effective tax rate of 33.66%. We benefit from tax incentives provided to software entities such as an exemption from payment of Indian corporate income taxes until the earlier of fiscal 2009 or 10 consecutive years of operations for software development facilities designated as "Software Technology Parks," or STP units. The benefits of this tax incentive have historically resulted in our effective tax rate being well below statutory rates. The exemption for our STP units was reduced from 100% to 90% for the fiscal 2003, and is expected to expire between fiscal 2006 and fiscal 2010. Exemption for two of our STP units in Hyderabad expired during fiscal 2006. We also earn certain other foreign income and domestic income, which is taxable irrespective of the above tax exemption.

All facilities registered in the exemption program before March 31, 2001, which include all of our existing facilities in India and registrations for two new facilities which have not yet been constructed, will continue to benefit from this program under present law. Over time, as we construct additional facilities, however, the overall benefits of this tax program to our company will decrease with a consequential increase in our effective tax rate. When our tax holidays expire or terminate, our tax expense will materially increase, reducing our profitability. We cannot assure you as to what action the present or future governments of India will take regarding tax incentives for the IT industry.

Foreign investment restrictions under Indian law may adversely impact the value of our ADSs, including, for example, restrictions that limit your ability to reconvert equity shares into ADSs, which may cause our equity shares to trade at a discount or premium to the market price of our ADSs.

Our equity shares are listed and traded on the Indian Stock Exchanges, and they may trade on these stock exchanges at a discount or premium to the ADSs traded on the NYSE, in part because of restrictions on foreign ownership of the underlying shares.

Our ADSs are freely convertible into our equity shares under the deposit agreement governing their issuance, or the Deposit Agreement. The Reserve Bank of India, or RBI, prescribes fungibility regulations permitting, subject to compliance with certain terms and conditions, the reconversion of equity shares to ADSs provided that such equity shares are purchased from an Indian Stock Exchange through stock brokers and the actual number of ADSs outstanding after such reconversion is not greater than the original number of ADSs outstanding. If you elect to surrender your ADSs and receive equity shares, you will only be able to trade those equity shares on an Indian Stock Exchange and, under present law, it is unlikely you will be permitted to reconvert those equity shares to ADSs. Additionally, investors who exchange ADSs for the underlying equity shares and are not holders of record will be required to declare to us details of the holder of record, and the holder of record will be required to disclose the details of the beneficial owner. Any investor who fails to comply with this requirement may be liable for a fine of up to Rs.1,000 for each day such failure continues. Such restrictions on fungibility of the underlying equity shares to ADSs may cause our equity shares to trade at a discount or premium to the ADSs.

The sale of equity shares underlying the ADSs by a person not resident in India to a resident of India does not require the prior approval of the RBI, provided such sales are effected through the Indian Stock Exchanges. Any sale of such underlying equity shares by a person not resident in India to a resident of India outside of the Indian Stock Exchanges can, however, be completed without prior RBI approval, provided such equity shares are transferred based on a pricing formula established by the Indian foreign exchange laws which set a maximum price requirement for sale of such equity shares.

Regional conflicts or natural disasters in South Asia and elsewhere could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. In recent years there have been military confrontations between India and Pakistan that have occurred in the region of Kashmir and along the India-Pakistan border. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a perception that investments in Indian companies involve higher degrees of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs, and on the market for our services. In addition, as an international company, our offshore and onsite operations may be impacted by natural disasters such as earthquakes, tsunamis, floods, disease and health epidemics. In December 2004, certain parts of India were severely affected by a tsunami triggered by an earthquake in the Indian Ocean, and in October 2005, certain parts of northern India, Pakistan and Afghanistan were severely devastated by a major earthquake. Though our operations were not affected by these disasters, we cannot guarantee that in the future our operations will not be affected by the effect such natural disasters may have on the economies of India and other countries in the region.

Political instability could seriously harm business and economic conditions in India generally and our business in particular.

During the past decade, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The general elections in 2004 for the lower house of the Indian Parliament resulted in no party winning an absolute majority and a coalition government has been formed. We cannot assure you that these liberalization policies will continue in the future. Government corruption scandals and protests against privatization could slow down the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and our business in particular.

Currency exchange rate fluctuations may affect the value of our ADSs and our financial condition.

Our functional currency is the Indian rupee, although we transact a major portion of our business in U.S. dollars and several other currencies and accordingly face foreign currency exposure through our sales in the United States and elsewhere and purchases from overseas suppliers in U.S. dollars and other currencies. Historically, we have held a substantial majority of our cash funds in rupees. Accordingly, changes in exchange rates may have a material adverse effect on our revenues, other income, cost of services sold, gross margin and net income, which may in turn have a negative impact on our business, operating results and financial condition.

The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. In fiscal 2006, 2005 and 2004, our U.S. dollar-denominated revenues represented 77.6%, 81.8% and 84.5%, respectively, of our total revenues. We expect that a majority of our revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, our results of operations will be adversely affected to the extent that the rupee appreciates against the U.S. dollar. Depreciation of the rupee will result in foreign currency translation losses in respect of foreign currency borrowings, if any.

We have sought to reduce the effect of exchange rate fluctuations on our operating results by entering into foreign exchange forward and options contracts to cover a portion of outstanding accounts receivable of Satyam Computer Services. As of March 31, 2006 and 2005, we had outstanding forward and options contracts in the amount of $216.0 million and $301.5 million, respectively. We may not be able to purchase contracts adequate to insulate ourselves from foreign exchange currency risks. Additionally, the policies of the RBI may change from time to time which may limit our ability to hedge our foreign currency exposures adequately.

Fluctuations in the exchange rate between the rupee and the U.S. dollar will also affect the U.S. dollar conversion by our Depositary of any cash dividends paid in rupees on the equity shares represented by the ADSs. In addition, fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of our equity shares on the Indian Stock Exchanges. As a result, these fluctuations are likely to affect the prices of our ADSs. These fluctuations will also affect the dollar value of the proceeds a holder would receive upon the sale in India of any equity shares withdrawn from our Depositary under the deposit agreement. We cannot assure you that holders of ADSs will be able to convert rupee proceeds into U.S. dollars or any other currency or with respect to the rate at which any such conversion could occur. In addition, our market valuation could be seriously harmed by the devaluation of the rupee if U.S. investors analyze our value based on the U.S. dollar equivalent of our financial condition and results of operations.

Our ability to acquire companies organized outside India as part of our growth strategy depends on the approval of the Government of India and/or the RBI and failure to obtain this approval could negatively impact our business.

We have developed a growth strategy based on, among other things, expanding our presence in existing and new markets and selectively pursuing joint venture and acquisition opportunities. Foreign exchange laws in India presently permit Indian companies to acquire or invest in foreign companies without any prior governmental approval if the transaction amount does not exceed 200% of the net worth of the foreign company as of the date of its most recent audited balance sheet. If consideration for the transaction is paid out of the proceeds of an American Depositary Receipt, or ADR, or Global Depositary Receipt, or GDR, sale, Indian exchange control laws do not impose any investment limits. Acquisitions in excess of the 200% net worth threshold require prior RBI approval. It is possible that any required approval from the RBI may not be obtained. Our failure to obtain approvals for acquisitions of companies organized outside India may restrict our international growth, which could negatively affect our business and prospects.

If we are unable to protect our intellectual property rights, or if we infringe on the intellectual property rights of others, our business may be harmed.

The laws of India do not protect intellectual property rights to the same extent as the laws in the United States. Further, the global nature of our business makes it difficult for us to control the ultimate destination of our products and services. The misappropriation or duplication of our intellectual property could curtail our operations or reduce our profitability.

We rely upon a combination of non-disclosure and other contractual arrangements and copyright, trade secret and trademark laws to protect our intellectual property rights. Ownership of software and associated deliverables created for customers is generally retained by or assigned to our customers, and we do not retain an interest in such software and deliverables.

We have applied for the registration of "Satyam" and other related marks as trademarks in India, the United States and in other jurisdictions where we carry on business. We currently require our technical associates to enter into non-disclosure and assignment of rights agreements to limit use of, access to and distribution of confidential and proprietary information. We cannot assure you that the steps taken by us in this regard will be adequate to prevent misappropriation of confidential and proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services and products do not infringe upon the intellectual property rights of others, we cannot assure you that such a claim will not be asserted against us in the future. Assertion of such claims against us could result in litigation, and we cannot assure you that we would prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party on reasonable commercial terms.

We expect that the risk of infringement claims against us will increase if more of our competitors are able to obtain patents for software products and processes. Any such claims, regardless of their outcome, could result in substantial cost to us and divert management's attention from our operations. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any infringement claim or litigation against us could therefore result in substantial costs and diversion of resources.

Indian laws limit our ability to raise capital outside India and may limit the ability of others to acquire us, which could prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.

Presently, Indian technology companies such as ours are able to raise capital outside of India without the prior approval of any Indian governmental authority through an ADR or GDR issuance or an issuance of convertible debt securities, subject with respect to convertible debt issuances to a limit of $500 million in any fiscal year. Changes to Indian foreign exchange laws may create restrictions on our capital raising abilities. For example, a limit on the foreign equity ownership of Indian technology companies may constrain our ability to seek and obtain additional equity investment by foreign investors. In addition, these restrictions, if applied to us, may prevent us from entering into certain transactions, such as an acquisition by a non-Indian company, which might otherwise be beneficial for us and the holders of our equity shares and ADSs.

Conditions in the Indian securities market may affect the price or liquidity of our equity shares and our ADSs.

The Indian securities markets are smaller and more volatile than securities markets in more developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities and the price of our equity shares has been especially volatile. The high and low prices of our shares on the BSE from fiscal 2001 until the latest practicable date are set forth in the table below.

	High		Low	
Fiscal Year	**Rs**	**$ equivalent**	**Rs.**	**$ equivalent**
2001	902.0	19.3	179.0	3.8
2002	331.2	6.8	111.0	2.3
2003	291.9	6.1	175.1	3.7
2004	391.0	9.0	127.3	2.9
2005	442.0	10.1	250.0	5.7
2006	862.0	19.4	364.4	8.4
2007 (Through April 21, 2006)	890.0	20.0	755.1	17.0

On April 21, 2006**,** the closing price of our shares on the BSE was Rs. 808.15 ($ 18.2). For comparison purposes, these prices have been adjusted to give effect to our August 25, 2000 five-for-one stock split. The prices of our shares have been translated into U.S. dollars based on the noon-buying rate as certified by the Federal Reserve Bank of New York on the last date of each period presented.

The Indian Stock Exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, the suspension of stock exchange administration, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian Stock Exchanges have, from time to time, restricted securities from trading, limited price movements and restricted margin requirements. Moreover, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of our equity shares and our ADSs.

It may be difficult for you to enforce any judgment obtained in the United States against us or our affiliates.

We are incorporated under the laws of the Republic of India. Many of our directors and key managerial personnel and some of the experts named in this document reside outside the United States. In addition, virtually all of our assets and the assets of many of these persons are located outside the United States. As a result, you may be unable to:

(i) effect service of process upon us outside India or these persons outside the jurisdiction of their residence; or

(ii) enforce against us in courts outside of India or these persons outside the jurisdiction of their residence, judgments obtained in United States courts, including judgments predicated solely upon the federal securities laws of the United States.

We have been advised by our Indian counsel, that the United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment which has been obtained in the United States. If and to the extent Indian courts were of the opinion that fairness and good faith so required, it would, under current practice, give binding effect to the final judgment which had been rendered in the United States unless such a judgment was founded on a claim which breached the laws of India.

You may be subject to Indian taxes arising out of capital gains on the sale of the underlying equity shares.

Generally, capital gains, whether short-term or long-term, arising from the sale of the underlying equity shares in India are subject to Indian capital gains tax. For the purpose of computing the amount of capital gains subject to tax, Indian law specifies that the cost of acquisition of the equity shares will be deemed to be the share price prevailing on the BSE or the NSE on the date the Depositary advises the custodian to redeem receipts in exchange for underlying equity shares. The period of holding of such equity shares, for determining whether the gain is long-term or short-term, commences on the date of the giving of such notice by our Depositary to the custodian. With effect from October 1, 2004, any gains realized on the sale of listed equity shares held for more than 12 months to an Indian resident, or a non-resident investor in India, will not be subject to Indian capital gains tax if the securities transaction tax has been paid on the transaction. Investors are advised to consult their own tax advisors and to consider carefully the potential tax consequences of an investment in our ADSs.

There may be less company information available in Indian securities markets than securities markets in other countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed economies. SEBI is responsible for improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed economies.

Risk Related to our ADSs and our Trading Market

Historically, our ADSs have traded at a significant premium to the trading prices of our underlying equity shares, a situation which may not continue.

Historically, our ADSs have traded on the NYSE at a substantial premium to the trading prices of our underlying equity shares on the Indian Stock Exchanges. We believe that this price premium has resulted from the relatively small portion of our market capitalization represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs, and an apparent preference for some investors to trade U.S. dollar-denominated securities. Further, over time, some of the restrictions on the issuance of the ADSs imposed by Indian law have been relaxed and we expect that other restrictions may be relaxed in the future. As a result, the historical premium enjoyed by ADSs as compared to equity shares may be reduced or eliminated due to our sponsored ADS offering or similar transactions in the future, a change in Indian law permitting further conversion of equity shares into ADSs or changes in investor preferences.

You may be restricted in your ability to exercise preemptive rights under Indian law and thereby may suffer future dilution of your ownership position.

Under the Companies Act, 1956 of India, or the Companies Act, a company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the preemptive rights have been waived by adopting a special resolution by holders of three-fourths of the shares which are voted on the resolution. As U.S. holders of ADSs represent 19.94% of our outstanding equity shares as at March 31, 2006, you may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933, as amended, or the Securities Act, is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any given registration statement as well as the perceived benefits of enabling the holders of our ADSs to exercise their preemptive rights and any other factors that we deem appropriate to consider at the time the decision must be made. We may elect not to file a registration statement relating to preemptive rights otherwise available by law to you. In the case of future issuances, the new securities may be issued to our Depositary, which may sell the securities for your benefit. The value, if any, our Depositary would receive upon the sale of such securities cannot be predicted. To the extent that you are unable to exercise preemptive rights granted in respect of the equity shares represented by your ADSs, your proportional interests in our company would be reduced.

Holders of ADSs may be restricted in their ability to exercise voting rights.

At our request, our Depositary will mail to you any notice of shareholders' meeting received from us together with information explaining how to instruct our Depositary to exercise the voting rights of the securities represented by ADSs. If our Depositary timely receives voting instructions from you, it will endeavor to vote the securities represented by your ADSs in accordance with such voting instructions. However, the ability of our Depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to our Depositary in a timely manner. Securities for which no voting instructions have been received will not be voted.

Under Indian law, subject to the presence in person at a shareholder meeting of persons holding equity shares representing a quorum, all resolutions proposed to be approved at that meeting are voted on by a show of hands unless a shareholder present in person and holding at least 10% of the total voting power or on which an aggregate sum of not less than Rs.50,000 has been paid-up, at the meeting demands that a poll be taken. Equity shares not represented in person at the meeting, including equity shares underlying ADSs for which a holder has provided voting instructions to our Depositary, are not counted in a vote by show of hands. As a result, only in the event that a shareholder present at the meeting demands that a poll be taken will the votes of ADS holders be counted. Securities for which no voting instructions have been received will not be voted on a poll.

As a foreign private issuer, we are not subject to the SEC's proxy rules, which regulate the form and content of solicitations by U.S.-based issuers of proxies from their shareholders. To-date, our practice has been to provide advance notice to our ADS holders of all shareholder meetings and to solicit their vote on such matters through our Depositary, and we expect to continue this practice. The form of notice and proxy statement that we have been using does not include all of the information that would be provided under the SEC's proxy rules.

An active or liquid trading market for our ADSs is not assured.

We cannot predict the extent to which an active, liquid public trading market for our ADSs will exist. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The lack of an active, liquid trading market could result in the loss of market makers, media attention and analyst coverage. If there is no longer a market for our equity shares, or if we fail to continue to meet eligibility requirements, we may be required to delist from the NYSE and this may cause our share prices to decrease significantly. In addition, if there is a prolonged decline in the price of our equity shares, we may not be able to issue equity securities to fund our growth, which would cause us to limit our growth or to incur higher cost funding, such as short-term or long-term debt.

Liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. Although you are entitled to withdraw the equity shares underlying the ADSs from our Depositary at any time, there is no public market for our equity shares in the United States.

The future sales of securities by our company or existing shareholders may harm the price of our ADSs or our equity shares.

The market price of our ADSs or our equity shares could decline as a result of sales of a large number of ADSs or equity shares or the perception that such sales could occur. Such sales also might make it more difficult for us to sell ADSs or equity securities in the future at a time and at a price that we deem appropriate. As of March 31, 2006, we had an aggregate of equity shares outstanding of 323,256,399 (excluding 1,193,140 equity shares held by the Satyam Associate Trust), which includes underlying equity shares of 64,680,600 represented by 32,340,300 ADSs. In addition, as of March 31, 2006 we had outstanding options to purchase approximately 6,057,286 of our equity shares. All ADSs are freely tradable, other than ADSs purchased by our affiliates. The remaining equity shares outstanding may be sold in the United States only pursuant to a registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, including Regulation S.

Forward-looking statements contained in this Annual Report may not be realized.

We have included statements in this Annual Report which contain words or phrases such as "may," "will, " "will likely result," "believe," "expect," "will continue," "anticipate," "estimate," "intend," "plan," "contemplate," "seek to," "future," "objective," "goal," "project," "should" and similar expressions or variations of such expressions, that are "forward-looking statements." Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy and our growth and expansion.

In addition, other factors that could cause results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to, general economic and political conditions in India, Southeast Asia, and other countries which have an impact on our business activities, changes in Indian and foreign laws, regulations and taxes, changes in competition and other factors beyond our control, including the factors described in this "Risk Factors" section.

We do not intend to update any of the forward-looking statements after the date of this Annual Report to conform such statements to actual results.

ITEM 4. INFORMATION ON THE COMPANY

Business Overview

We are a global IT solutions provider, offering a comprehensive range of IT services to our customers including, application development and maintenance services, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. We also offer BPO services through our majority-owned subsidiary company, Nipuna. Our headquarters are located in Hyderabad, India.

We began providing IT services to businesses in 1988 and are currently the fourth largest Indian IT software and services company, based on the amount of export revenues generated during fiscal 2005. Our revenues grew to $1,096.3 million in fiscal 2006 from $459.2 million in fiscal 2003, representing a compound annual growth rate of 33.7%. For the same period, our net income grew from $82.3 million to $249.4 million. The number of our employees, whom we refer to as associates, grew from 9,838 as of March 31, 2003 to 28,624 as of March 31, 2006.

We provide services to customers from various industries including manufacturing, banking and financial services, insurance, telecommunications, infrastructure media and entertainment and semiconductors or TIMES, healthcare, retail and transportation. We believe we have the ability to develop large, long-term customer relationships, by demonstrating an understanding of our customers' business requirements through our industry expertise and by continually providing high quality services in a cost effective manner. As of March 31, 2006, we had 506 active customers, including 156 Fortune Global 500 or Fortune U.S. 500 companies and 45 companies that generated more than $5 million in annual revenues in fiscal 2006. 90.6% of our revenues for fiscal 2006 and 92.1% of our revenues for fiscal 2005 were from repeat business given by our existing customers.

In June 2002, we established our majority-owned BPO subsidiary, Nipuna, which offers back-office transaction processing services, customer care services and product support and technical help desk services in the areas of finance and accounting, human resources, claims administration and document management. Nipuna has recently added services such as research, analytics and animation to its portfolio of service offerings. As of March 31, 2006, Nipuna had 1,765 associates and 25 customers, of which 9 were Fortune Global 500 and Fortune U.S. 500 companies.

On November 7, 2005, Satyam Computer Services offered to sell an aggregate of 11,182,600 equity shares, representing its entire investment of 31.61% of the outstanding equity shares of Sify. The sale transaction was consummated on November 9, 2005 at a sale price of US$5.60 per equity share aggregating to US$62.3 million. Satyam Computer Services accounted for its share of equity in earnings/(losses) of Sify under equity method of accounting upto November 9, 2005. The excess of sale proceeds (net of transaction costs) over the carrying value of investment in Sify as on the date of sale amounting to US$43.6 million has been recognized as gain in the statement of income during the year ended March 31, 2006.

Satyam Computer Services had filed a request for arbitration with the London Court of International Arbitration ("LCIA") naming Venture Global Engineering LLC, USA ("VGE") as respondent. The Arbitration concerned a dispute between Satyam Computer Services and VGE in connection with their joint venture Satyam Venture Engineering Services Private Limited ("SVES"). The LCIA Arbitrator issued his Final Award on April 3, 2006 in favour of Satyam Computer Services. Satyam Computer Services has filed a petition to recognize and enforce the Award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois.

At our Board meeting held on April 21, 2006, our board of directors recommended the issuance of bonus shares in the ratio of 1:1 (one equity share for every one share held) for all existing shares including American Depository Shares. This proposed bonus issue is subject to approval by our shareholders at the upcoming annual general meeting of shareholders, expected to be held in August 2006.

Industry Overview

Global IT Services Overview

Global IT services spending has been estimated to total $441.0 billion in 2005, representing an increase of approximately 5.5 % over 2004, and is projected to grow at a compound annual growth rate of 5.9% to reach $556 billion by 2009, according to International Data Corporation.

We believe the growth of global IT services spending is driven by the following factors and trends:

- ***Increased importance of IT to businesses.*** In today's increasingly competitive business environment, companies have become dependent on information technology not only to conduct day-to-day operations, but also as a strategic tool to enable them to re-engineer business processes, restructure organizations and react quickly to competitive, regulatory and technological changes. As information systems continually become more complex with the use of multiple applications and rapidly changing technologies, companies are increasingly turning to external IT service providers to develop and implement new technologies and integrate them with existing applications in which they may have already made considerable investments.

- ***Impact of the Internet and other new technologies on business.*** Businesses are increasingly using the Internet to interact with new and existing customers and create new revenue opportunities. Businesses conducted electronically over the Internet extend beyond Internet-based applications to include packaged software tools, such as customer and supply chain management software, that need to be integrated with a company's enterprise systems. These initiatives are often large and difficult to manage in-house and need to keep pace with constantly evolving business processes and technological innovations leading to demand for IT services companies.

- ***Managing and upgrading existing systems.*** Managing and upgrading existing systems has become critical given the importance of IT and related systems to new business initiatives. Internal IT departments often do not have the appropriate resources or breadth of skills necessary to manage or upgrade existing systems. As a result, companies are increasingly looking to external service providers to design, integrate, implement and maintain their applications based on new technologies.

- ***Increasing trend towards offshore outsourcing.*** The increasing complexities and costs of IT services, together with an increasing need for highly skilled technology professionals and tightening IT budgets for companies, are driving demand for professional IT services companies who are able to provide a cost effective, high quality, comprehensive range of services. The offshore delivery model is enabling companies to increasingly outsource complex assignments and generate not only cost savings in IT services but also greater efficiencies in their business processes. In addition, companies are increasingly using the "utility computing" or "pay for what you use", model for infrastructure, data- warehousing and IT system usage, which is further fueling growth in infrastructure, network outsourcing and network management services.

Indian IT Services Industry Overview

As organizations realize the cost effectiveness of offshoring their outsourced services, they are increasingly making offshoring a part of their business strategy.

India is considered to be the most favored destination for offshore IT service delivery. The NASSCOM-McKinsey Report of 2002 estimates that export revenue generated from the software and service industry in India was approximately $15.5 billion in 2004 and is expected to reach $50.0 billion by 2008 representing a compound annual growth rate of 34.0%. The key factors that are expected to contribute to this growth are:

- ***High quality delivery record.*** Indian companies have developed high quality delivery processes. A 2004 NASSCOM survey of international quality standards of the top 275 Indian IT services companies reported that 195 companies had acquired International Standards

Organization, or ISO, 9000 quality certification. According to NASSCOM, during 2004, 74 Indian companies received a level five assessment under SEI-CMM, developed by the Carnegie Mellon University. Level five is the highest level attainable under the SEI-CMM standards, which assess an organization's quality management system and systems engineering processes and methodologies.

- ***Large supply of English-speaking IT professionals.*** We believe that India ranks second only to the United States as the country with the largest population of English-speaking IT professionals. According to the NASSCOM Strategic Review 2004, educational institutes in India produce approximately 290,000 engineering students and 139,000 computer software engineers each year. Given the shortage of technical labor in the United States and other developed economies, the availability of technically skilled personnel is proving to be a competitive advantage for Indian IT service companies.
- ***Significant cost advantage.*** We believe that the cost of employing IT professionals in India is significantly lower than in developed countries such as the United States. The use of high quality, low cost resources provides a significant opportunity for companies to realize cost savings by offshoring IT services to India.

Trends

The Indian IT services industry has been witnessing changes in customer demands and we believe that service providers who are best able to adapt to these changes will succeed in the long run. Some key emerging industry trends are described below:

- ***Enhanced expectations.*** Increasingly, companies are expecting more value from their IT service providers than just the traditional cost advantages derived by offshoring the delivery of IT services. Companies increasingly prefer service providers that can provide strategic advice related to designing and increasing efficiencies of business processes and also assist in implementing their recommendations. Also, service providers with strong industry expertise are favored over those who can only provide strong technical skills.
- ***Large, multi-year, end-to-end contracts.*** Companies are increasingly looking for IT service providers that can provide end-to-end solutions over a long period of time. In addition, companies, which have a presence across various geographies, need IT support on a global scale and often seek a single service provider that can offer a comprehensive range of services on a long-term basis across the world, and understand and integrate a wide spectrum of emerging technologies with existing systems.
- ***Relationships with customers' key senior management.*** As outsourcing contracts increasingly gain strategic importance to businesses, customers' senior management teams have become more involved in outsourcing contract negotiation and monitoring. As a result, IT service providers need to ensure that their senior account managers develop strong and lasting working relationships with customers' senior management.
- ***Performance measurement.*** Companies are increasingly demanding transparency in performance measurement. IT service providers with their own well developed benchmarks, frameworks and models to measure performance or demonstrate potential benefits are likely to have significant advantage over their competitors who offer more generic IT services.

Our Competitive Strengths

We believe that we are strongly placed to consolidate our market position as a leading IT service provider due to our competitive strengths which include:

- ***Comprehensive range of services combined with specialized industry expertise.*** Our comprehensive range of end-to-end technology-based services encompasses application development and maintenance services, consulting and enterprise business solutions, extended engineering solutions, infrastructure management services and BPO services. Our comprehensive range of services enables us to broaden our dialogue with potential customers, deepen our relationships with existing customers and diversify our revenue base. Our services are built on a foundation of a rich understanding of the industries in which our customers operate and the underlying technologies that drive those industries. Our industry-focused business units such as manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation, allow us to understand the strategic issues facing our customers. At the Gartner Global Sourcing Summit 2004, we were adjudged the winner of the “Risk Management Award”, a prestigious award that recognizes effectiveness in managing risk and were also declared a joint winner of the “Solution Delivery Award” which recognizes creativity in enhancing customers’ business competitiveness. The voting for these awards was done solely by the business executives attending the summit. Our dedicated technology competency centers, which we refer to as “centers of excellence,” track trends in key technologies, which facilitates creation of solutions based on these technologies. Our centers of excellence work closely with the industry-focused business units in areas such as business intelligence, data warehousing, customer relationship management, product life cycle management and supply chain management to ensure that our services fulfill our customers’ business objectives and IT requirements.

- ***Flexible, highly evolved delivery model.*** We provide our services through 20 centers located in Australia, Canada, China, Hungary, India, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States and our onsite teams operating at our customers’ premises. Over the past decade, we have made substantial investments in our infrastructure, processes and systems allowing us to evolve our global delivery model to effectively integrate offshore, offsite, nearshore and onsite services and perform a greater volume of work at our offshore development centers. This delivery model seeks to provide customers with seamless solutions in reduced timeframes, enabling them to achieve operating efficiencies and realize significant cost savings. It also enables us to deliver the most appropriate mix of resources and services on a 24/7 basis. Furthermore, our robust delivery model is flexible, so that it can be adapted to respond to customer objectives relating to critical issues such as scalability and security. We continue to evolve our delivery model and believe that our customer-oriented approach and ongoing refinements represent an important competitive advantage.

- ***Established leadership position in consulting and enterprise business solutions.*** Our consulting and enterprise business solutions help customers optimize their operating costs, enhance the efficiency of their business processes and improve their overall competitiveness. These solutions span the development, implementation, integration and maintenance of various enterprise-wide applications. Our solutions are enhanced by our strategic alliances with more than 60 leading technology providers such as SAP and Oracle. Our highly evolved delivery model, coupled with our industry expertise and center of excellence-driven technology competencies, allows us to provide customers with a value proposition in consulting and enterprise solutions. Over the past few years, we have made strategic investments to augment our capabilities in this area which is reflected in the growing revenues from this business. During fiscal 2006 and fiscal 2005, 39.2% and 34.3% respectively, of our revenues, was generated from consulting and enterprise business solutions.

- ***Strong relationships with blue chip customers.*** We have long-standing relationships with large multinational corporations built on our successful execution of prior engagements. We believe we have significantly more Fortune Global 500 or Fortune U.S. 500 corporations as customers, relative to scale of revenue, as compared to other leading Indian IT services companies. As of March 31, 2006, 156 of our 506 customers were Fortune Global 500 or Fortune U.S. 500 corporations. Our track record of delivering comprehensive solutions based on demonstrated industry and technology expertise has helped in forging strong relationships with our major customers and gaining increased business from them. We have a history of high customer retention and derive a significant proportion of our revenue from repeat business. During fiscal 2006 and fiscal 2005, 90.6% and 92.1% respectively, of our revenues, was generated from existing customers.

- ***Track record of high quality execution.*** We are committed to achieving operational excellence in our processes, people and infrastructure. Our quality assurance programs form an integral part of our project management methodology and seek to ensure that we consistently deliver high quality services to our customers. For instance, we have a company-wide quality management system, which satisfies the ISO 9001:2000 TickIT standard. We have been assessed at CMMI Level 5, the highest level possible, and have implemented the Six Sigma processes for application development and maintenance. We have also achieved domain specific certifications like AS9100/EN9100 for ES group – Aerospace domain, PCMM Level 5 Assessment for Pune Location, S15000/ISO20000 certification for N&S across India and BS15000 Global Certification for IMS business.

We have a large pool of highly skilled, well-trained technical associates spanning 60 nationalities. As of March 31, 2006, we employed 26,711 technical associates in the IT services area, of which 51% had bachelor's degrees in engineering and 4% had master's degrees in engineering, technology or computer applications. Each new technical associate participates in an intensive 12 week initial training program and a minimum of 40 hours training each year on development and leadership. We continue to develop our infrastructure to make it more resilient. For instance, we have implemented ISO 27001, the internationally recognized global upgrade from BS7799 standard, which delivers a high level of information security to protect our customers' intellectual property. We have also established a comprehensive disaster recovery and business continuity model to ensure uninterrupted service availability from our global delivery network. We constantly benchmark our processes, people and infrastructure against globally recognized standards.

- ***Culture of innovation.*** We have a history of innovation that is facilitated by our entrepreneurial culture and our management's willingness to make strategic investments in growth markets. We believe we were one of the pioneers in the delivery of India-based IT services. For example, we believe that we were among the earliest Indian IT service companies to set up in 1992 a dedicated satellite link between a customer's facilities and our India operations. Our technology laboratories continue to develop and bring to market new solutions based on new technologies. For instance, we are one of the few companies in India to offer utility and grid computing services to customers. We have also been innovative in our internal organization and have introduced industry leading practices in hiring, resource planning and knowledge sharing. These accomplishments and initiatives have further enhanced our brand and reputation in the marketplace.

Our Growth Strategy

Our goal is to be a leading global provider of comprehensive IT solutions and services. We intend to accomplish our goal by:

- ***Building on our long-standing customer relationships to cross-sell our comprehensive range of services.*** Our goal is to build long-term sustainable business relationships with our customers to generate consistent revenues. We plan to continue to expand the scope and range of services provided to our existing customers by continuing to build our expertise in major industries and extending our capabilities into new and emerging technologies. For example, we intend to capitalize on the BPO services offered by Nipuna by cross-selling these services to our existing customers, which will enable us to secure a higher share of our customers' spending. To further strengthen our relationships and broaden the scope and range of services we provide to existing customers, our senior corporate executives have specific account management and relationship responsibilities. We have successfully established strong relationships with our customers' chief information officers and are continuing to strengthen our relationships with other key members of our customers' management teams. These strong relationships have helped us to better understand our customers' business needs and enabled us to provide effective solutions to meet these needs.
- ***Continuing to focus on enterprise-wide business solutions and high quality value-added services.*** To better serve our customers in key industry segments, we intend to continue to focus on providing end-to-end enterprise-wide business solutions and increasing our share of value-added services, such as data warehousing and business intelligence, application portfolio management, process and quality consulting, business performance management, industry and regulatory specific solutions and grid computing solutions. To continue to differentiate our services and achieve recognition as a leading global provider of comprehensive IT services, we intend to continually invest in research and development and broaden our range of solution offerings as new technologies become available.
- ***Expanding our presence in existing markets and penetrating new geographic markets.*** We plan to expand our presence in our existing markets and establish a presence in new geographic markets throughout North America, Europe, Latin America, and the Asia-Pacific

region. We intend to accomplish this by increasing our brand visibility and leveraging our global development centers to extend our services to customers located in these geographies. We also plan to continue to hire local associates to staff and manage our global development centers and to strengthen our sales and marketing functions to facilitate building strong relationships. We believe that the use of locally hired technical associates and managers working from our global development centers will enable us to increase our market share in the local markets and compete effectively by combining local expertise with our global delivery capabilities. We expect that a wider geographical presence will also facilitate revenue generation in multiple currencies, reduce our exposure to volatility in a particular currency, and help hedge against margin erosion due to currency fluctuations.

- ***Continuing to enhance our industry expertise.*** We aim to have an in-depth understanding of targeted industries including manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation, which will help us identify and understand customer needs and proactively design and offer customized IT solutions to address those needs. By focusing on targeted industries, we believe we can develop industry-specific solutions and services that can be leveraged effectively to deliver services within the same industry, thereby lowering our cost of delivering those services. We intend to enhance our business knowledge and competencies in the various industries that we service by hiring additional specialists with deep industry knowledge and expertise.

- ***Attracting and retaining quality technical associates and augmenting their training.*** To attract, retain and motivate our technical associates, we plan to continue to provide an environment that rewards entrepreneurial initiative and performance, including competitive salaries and benefits as well as performance-linked incentives. We also intend to continue to devote significant resources to train our technical associates in a variety of software languages and computer platforms through our Satyam Learning Center.

- ***Enhancing our capabilities through technology alliances and acquisitions.*** We intend to continue to explore the formation of new alliances as well as strengthen existing partnerships with key technology vendors to enable us to leverage our partners' strengths. We will also consider acquisitions to gain access to specific technologies and exploit synergies with our existing business. We regularly engage in discussions and negotiations in the ordinary course of our business relating to potential investment, technology alliances and acquisitions that would achieve these objectives.

IT Service Offerings

We offer a comprehensive range of IT services based on existing and emerging technologies that are tailored to meet the specific needs of our customers. Our IT services include:

Application development and maintenance services

Application development

We design, develop and implement customized IT solutions software for a variety of business processes and requirements. Our solution implementations range from single-platform, single-site systems to multi-platform, multiple-site systems. A project may involve the development of a new application, customizing packaged software, enhancing the capabilities of existing software applications, upgrading a legacy solution both to suit the newer technology environments and to enhance the lifetime of such applications. Each development project typically involves the full life-cycle of software development, including, definition, prototyping, architecting, designing, piloting, programming, testing, installing and subsequent maintenance.

Application maintenance

We provide maintenance services for large software systems, including modifications and enhancements to the business functionality as well as providing production support to facilitate around the clock availability of applications spread across multiple geographies encompassing diverse technologies. We interact with the business users to map new functionalities and enhance the application systems to cater to new set of business rules. We also assist customers in migration or re-hosting to new technologies, such as Microsoft and Open systems, to extend the useful life of existing systems. We perform most of the maintenance work at our offshore global development centers using satellite links to our customers' systems. In addition, we maintain a small team on our customers' premises to coordinate support functions. In certain instances, we utilize our offsite and nearshore development centers to coordinate these support functions with either no or minimal work at the customer's site.

Consulting and enterprise business solutions

Leveraging our alliances with independent software vendors such as Oracle, SAP and Informatica, we offer an extensive portfolio of consulting and enterprise business solutions to enhance our customers' business competitiveness. We provide solutions and services in the areas of enterprise resource planning, customer relationship management and supply chain management, data warehousing and business intelligence, knowledge management, document management and enterprise application integration to address the customer's needs and to integrate systems and processes across the organization for optimized business performance. These solutions enable our customers to strengthen relationships with their customers and business partners, create new revenue opportunities, enhance operating efficiencies and improve communication.

Extended engineering solutions

We provide extended engineering solutions to industries such as the automotive, aerospace, industrial equipment, consumer appliances and telecommunications, using computer aided design, modeling and engineering tools. Our services include mechanical designing, embedded and electronic designing, product and process analysis, product life-cycle management and range from handling basic drawing changes to delivering complex designs. Our focus is to enable our customers to realize significant cost benefits and to enable them to compete effectively in their product design and development functions.

Infrastructure management services

To address our customers' specific requests to provide infrastructure and technology support, we provide solutions and services which range from routine maintenance of hardware and software to complex security solutions. Our services include administration, infrastructure management, migration, upgrades, configuration, backup, security management, performance management, operations monitoring and consolidation services for a variety of operating systems and platforms, data, voice and video networks and mail servers. We offer services which cover a range of hardware platforms (IBM, HP and Sun) and environments (UNIX, AIX, Solaris, HP-UX and Windows). We have also built alliances with over seven infrastructure and technology product vendors to enhance our capabilities. We leverage our data center facility in Columbus, Ohio, in the United States to provide various hosting services to our customers.

Delivery of IT Services

We leverage our integrated global delivery model, which we refer to as the "RightSourcing Model," to provide flexible service delivery alternatives to our customers through our offshore centers located in India, offsite centers established in our major markets, nearshore centers located geographically near our customers' premises and through our onsite teams operating at our customers' premises. Our offshore, offsite and nearshore centers are linked to our customer's onsite system through a high performance communication network, enabling us to provide integrated services from each delivery location. Our global delivery model allows us the flexibility to transition onsite IT services seamlessly to our offsite, nearshore or offshore centers, which benefits our customers and provides us with greater returns.

Offshore centers

We typically assign a team of technical associates to visit a customer's premises to determine the scope and requirements of a particular project. Some members of the initial team remain onsite to facilitate direct liaison with the customer, while others return to India to establish and supervise a larger project team of suitably qualified technical associates to implement the project. Typically, approximately 20% of a project team is onsite but the ratio can vary based on the nature and complexity of the project.

We have also entered into arrangements with several customers where an entire project team is assigned to a single customer. Such teams, called dedicated offshore centers, work from our facilities in India and are staffed and managed by us. Once the project priorities are established by the customer, we, in conjunction with the customer's IT department, manage the execution of the project. When needed, such offshore centers have equipment specific to the customer, or have a designated work area with its own security protocols. In such cases, the customer agrees to regular periodic billing regardless of the work performed.

Offsite centers

We believe that a key success factor in meeting our customers' needs is our physical proximity to the customer. Accordingly, we have expanded and improved our offshore development model by establishing offsite centers in our major markets. We have 15 offsite centers in locations in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, the United Kingdom and United States. In addition, many of our existing customers are expanding into new geographic markets and are requiring us to serve them in these new locations. This trend has led us to increase the number of offsite centers as a part of our "Follow the Customer" strategy. We believe that these offsite centers, apart from serving our existing customers, also help us generate new business in these geographic locations. We believe our offsite centers allow us to respond quickly to customer requests, to interact closely with the customer to develop IT services where the customer's specifications are not clearly defined and to market services tailored to meet the needs of specific geographic markets. We staff our offsite centers with locally-hired managers, marketers and technical associates which we believe enables us to compete more effectively with local IT service providers.

Nearshore centers

For some of our customers, especially in the United States, we have leveraged Canada as a nearshore center because of its proximity to the customer and the advantages of providing services from centers in the same time zone as the customer. Instead of using only our offshore and onsite locations for the solution delivery, we utilize these nearshore centers to perform a variety of life cycle activities. For example, for certain development projects, we have created prototypes of the solution in these nearshore centers. Since the development of prototypes typically involve a high level of interaction with the customer and our onsite teams, the nearshore centers facilitate quick turnaround times.

We use our China development center as a nearshore center for the Asia-Pacific region to leverage the language capability and also multi-byte data for Asian languages. Similarly, we intend to use our Hungary development center for the European and North and South American markets.

Onsite teams

Some customers require the presence of our project teams at their premises, particularly for mission critical or higher involvement projects. The customer's team and our project team collaborate to develop IT services that meet the customer's specifications.

Quality and Project Management

Critical elements for the success of our global delivery model are well established quality management systems and sophisticated project management techniques. As an integral part of our processes, we have established a strict quality assurance and control program. We are certified under the ISO 9001 TickIT standard. Each of our business units that qualify for an assessment on the CMMI model have been assessed at CMMI Level 5 resulting in Satyam being a CMMI Level 5 company. We have also achieved domain specific certifications like AS9100/EN9100 for ES group – Aerospace domain, PCMM Level 5 Assessment for Pune Location, BS15000/ISO20000 certification for N&S across India and BS15000 Global Certification for IMS business. We have also adopted Six Sigma as a way of improving our processes and providing the highest levels of quality to our customers. Our quality management system involves, among other things, a rigorous review of software development processes, review and testing of work product and regular internal quality audits.

We have also been certified under ISO 27001 — Information Security Management model. This model governs our information security activities and helps us manage security, business continuity and disaster recovery requirements of our customers. Maintaining a high level of customer satisfaction requires sophisticated project management techniques to deliver services seamlessly across multiple locations and time zones. We have developed and applied a sophisticated global project management methodology to help ensure timely, consistent and accurate delivery of our IT services to our customers. XCEED Optima (Operational Projects Real Time Management), the enterprise wide project management solution for our Company is a joint initiative of IIS and Quality. Optima is based on cProjects, a new Enterprise Project Management solution from SAP, the world leaders in ERP and is customized to meet our specific needs.

Customers

We market our services primarily to companies in the North America, Europe, the Middle East and the Asia-Pacific region. We have a global customer base which, as of March 31, 2006, consisted of 506 customers including 156 Fortune Global 500 and Fortune U.S. 500 companies.

While we derive a significant proportion of our revenues from a limited number of customers, our strategy is to seek new customers and at the same time secure additional engagements from existing customers by providing high quality services and cross-selling new services. The strength of our relationships has resulted in significant recurring revenue from existing customers. Our business from existing customers in fiscal 2006, 2005 and 2004 accounted for 90.6%, 92.1% and 90.7% of IT services revenues, respectively. In fiscal 2006, 2005 and 2004, our largest customer, together with its affiliates, accounted for 8.8%, 10.8% and 14.3%, respectively, of our total revenues. In fiscal 2006, 2005 and 2004, our second largest customer accounted for 5.1%, 7.4% and 9.9% respectively, of our total revenues. Our top five customers accounted for 24.2%, 29.2% and 36.5% of our total revenues in fiscal 2006, 2005 and 2004 respectively.

The following is a distribution of our customers by our revenues on a trailing 12-month basis or for the fiscal indicated:

	Fiscal		
	2006	2005	2004
No. of $1+ million customers	101	109	81
No. of $5+ million customers	22	30	24
No. of $10+ million customers	23	19	9

Our customers are from diverse industry segments, including from the manufacturing, banking and finance, insurance, and telecom segments. The manufacturing segment accounts for the highest contribution of our revenues followed by the banking and finance segment. We continue to witness accelerated growth in the healthcare segment, while customers have been increasing in newer segments such as retail, energy and utilities.

The following is a distribution of our IT revenues across our industry segments for the three most recent fiscal years:

	Fiscal		
	2006	2005	2004
Manufacturing	28.6%	29.2%	32.0%
Banking and Finance	18.5	17.8	18.3
Insurance	8.8	11.4	13.7
TIMES	18.4	17.3	13.5
Healthcare	6.1	6.0	6.0
Retail	3.1	2.8	1.9
Transportation	2.6	2.7	2.1
Others	13.9	12.8	12.5
Total	100.0%	100.0%	100.0%

Sales and Marketing

Our sales operations comprise a Sales team, Account management team, Pre-Sales support team, and our Strategic Deals Group. Sales associates work solely on acquiring new customers. The second group consists of relationship managers who cross-sell services to existing customers and are responsible for building long-term relationships with such customers. The Pre-Sales group supports the business development efforts for prospects and existing accounts. Satyam has also invested in a strategic deals group, which focuses on acquiring large strategic deals.

In markets such as the United States and the United Kingdom, we have an industry-focused sales operation, while in other markets we have regional heads who oversee the sales activity.

In order to create greater visibility and recognition of our Satyam brand, we continue to invest in focused programs to enhance customer intimacy. These programs include holding annual customer summits to facilitate customer interaction, organizing forums, and participating in and sponsoring industry events to position Satyam as a thought leader.

As of March 31, 2006, we employed 243 marketing and sales associates.

BPO Services and Nipuna

Nipuna Services Limited, our majority-owned subsidiary, offers BPO services including product support, technical help desk, back-office transaction processing and customer care services in the areas of finance and accounting, human resources, claims administration and document management. Nipuna has recently added services such as research, analytics and animation to its portfolio of service offerings. Nipuna also offers industry specific services to customers in the manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation industries.

Nipuna was established in fiscal 2002. To promote Nipuna's business, we entered into an agreement with two investors, Olympus BPO Holdings Limited and Intel Capital Corporation Services Limited, which restricts Satyam from engaging in activities that are or could directly or indirectly be competitive with the business of Nipuna. Such activities include among others providing BPO, soliciting existing or prospective customers of Nipuna to obtain the services offered by Nipuna from other service providers and investing in companies engaged in the same or similar business as Nipuna. These non-compete restrictions apply until the investors redeem all of their preference shares in Nipuna or their equity interest in Nipuna falls below 5% after an initial public offering. See "Item 3. Key Information — Risk Factors — Risks Related to Our Overall Operations — We face intense competition in the IT services and BPO markets which could prevent us from attracting and retaining customers and could reduce our revenues."

As of March 31, 2006, Nipuna had 25 customers including 9 Fortune Global 500 and Fortune U.S. 500 companies. For fiscal 2006, 2005 and 2004, Nipuna had revenues of $20.0 million, $10.0 million and $2.4 million respectively. Nipuna handles more than 71 business processes for its customers, a majority of which are also customers of Satyam. Majority of Nipuna's customers are Fortune Global 500 and Fortune U.S. 500 companies, who have offshored their critical business processes to Nipuna. Some of Nipuna's arrangements with its customers have Service Level Agreements, or SLAs, as defined, which if Nipuna were to fail to meet, would result in loss of revenue.

The services offered by Nipuna include:

Claims administration and transaction processing services

Nipuna offers transaction processing services such as data management and claims administration to its customers. For example, Nipuna provides dental and medical claims administration support by facilitating data entry of the claims received, for one of the largest insurance companies in the United States. Its services have resulted in significant costs savings for the customer besides providing the customer with increased flexibility to manage workload during the peak and off-peak periods.

Customer care services

Nipuna provides customer care services to customers in different industries. For example, it provides inbound and outbound support for dial-up and digital subscriber line or DSL customers of a Fortune 100 communications services company.

Nipuna also provides IT help desk support to its customers.

Engineering services

Nipuna handles assembly plant management for one of the world's largest engine manufacturers. It also manages other processes such as quality compliance and management, engineering change management, AIS documentation, new product introduction and warranty claims processing. Nipuna also manages data entry of contact information for potential customers into a single database for one of the world's largest automobile manufacturers.

Strategic Alliances

We have in the past entered into, and plan to continue to enter into, strategic alliances with leading technology vendors and system integrators to deliver IT solutions across a wide array of technologies and platforms. We have partnered with some of the leading names in key application areas such as ERP (SAP & Oracle), CRM, Integration Middleware, Business Intelligence (Business Objects and Informatica) and Collaborative Commerce. Some of our other prominent alliance partners include 4S, Matrix One, Documentum, Hummingbird and Hyperion. We believe that our existing alliances with over 60 leading technology vendors spanning distinct parts of our customers' value chain have enhanced our ability to offer packaged solutions across a wide array of technologies and platforms to our customers. We work closely with our alliance partners who provide assistance in technology evaluation and selection, product support and product enhancements. None of these alliances are exclusive in nature and some of the alliance agreements need to be renewed each year.

Our joint venture with Venture Engineering Global LLC, Satyam Venture, is engaged in providing engineering solutions, software development and customization services specifically for the automotive industries worldwide. See Item 8 – Financial information – Legal Proceedings. See also note 23 to our fiscal 2006 financial statements. Also our joint venture with Computer Associates International, Inc., or CA Satyam, is engaged in the business of hosting, delivering and administering selective applications consisting of software products licensed by Computer Associates International, Inc.

Employees

We refer to our employees as "associates." Our success depends in large part on our ability to attract, develop, motivate and retain highly skilled technical associates. Besides competitive salaries and incentive pay, we also offer extensive training, an entrepreneurial work environment and opportunities to work overseas. Since May 1998, we have offered stock options to our associates but, subject to certain exceptions, have decided to stop all stock based compensation with effect from October 1, 2004. As of March 31, 2006, we had 28,624 associates including Nipuna's 1,765 associates representing a compound annual growth rate in the number of our associates of 33.5% since fiscal 2000. None of our associates are represented by a union. We believe that our relationship with our associates is good.

Our growth has been driven by our ability to attract top quality talent and effectively engage them. We strongly believe in caring for our associates' welfare and were selected as one of the Top 10 Best Employers in India by BT-TNS-Mercer & CNBC-Hewitt in 2004.

Recruiting

We recruit graduates from the engineering departments of India's leading universities, engineering and technical colleges and management institutes. India has over 1,500 such institutions and, with the rapid growth of the IT services industry in India, the number of students pursuing education in software engineering has increased in recent years. This has allowed us to recruit from a large pool of qualified applicants who undergo our rigorous selection process involving a series of tests and interviews. We also hire professionals who have relevant prior experience from working in India and outside India.

Learning and Developmental Training

We devote significant resources for training our associates. We established the Satyam Learning Center, which promotes our culture of learning and serves as a catalyst for us to sustain our technological and managerial edge. We require our technical associates to undergo a minimum of 40 hours of learning per year. We have qualified full-time faculty at our learning center that provides ongoing training to our associates at all levels, through which we build competencies in emerging disciplines necessary to meet our customers' needs. Our training initiatives provide us with a pool of qualified associates which in turn provides us the flexibility to ramp up resources to meet the demands of particular projects and to redeploy our personnel across projects according to our business needs. Apart from technical oriented learning, we also provide leadership training, language training and training on cultural sensitization. Trainers for our leadership training include professors from the Harvard Business School. Our leadership training is aimed at broadening our leadership bandwidth and developing our associates into business leaders for critical business areas such as program management and relationship management.

We also recruit managers in non-software engineering fields for positions as project leaders and project managers and provide them with extensive training, usually over a six-month period, in software engineering and project management skills.

Retention

To attract, retain and motivate our associates, we seek to provide an environment that rewards entrepreneurial initiative and performance. We also provide competitive salaries and benefits as well as incentives in the form of cash bonuses. In fiscal 2006, 2005 and 2004, we experienced associate attrition in IT services at a rate of 19.2%, 16.5% and 17.5%, respectively, which included involuntary attrition ranging from 4% to 5% as part of our systematic quality campaign.

Our human resources policies and practices are oriented towards enhancing associate engagement levels by proactively addressing the factors that impact retention. Several learning and development opportunities are provided to ensure that associates not only upgrade their skills and competencies but are also able to keep pace with cutting edge technologies and prepare themselves to take up challenging roles. Through our comprehensive rewards and recognitions programs and opportunities for job rotation across technologies, industries and locations, we ensure that our associates are motivated and performance oriented.

Our professionals who work onsite at customers' premises in the United States on temporary and extended assignments are typically required to obtain visas. H-1B visas are generally used for deploying personnel to the United States for onsite work, and L-1 visas are typically used for intra-company transfers of employees. Although there is no limit to new L-1 petitions, there is a limit to the number of new H-1B petitions that the United States Immigration and Naturalization Service may approve in any government fiscal year and in recent years this limit has been reached well before the end of the fiscal year. We are generally able to obtain H-1B and L-1 visas within two to four months of applying for such visas, which remain valid for three years and can be extended for a further three years. We plan for our visa requirements by forecasting our annual needs for such visas in advance and applying for such visas as soon as practicable. Our internal processes enable us to anticipate the amount and type of visas we need for our associates and to plan our resources in advance to meet our project needs.

Competition

We operate in a highly competitive and rapidly changing market and compete primarily with:

- consulting firms such as Accenture, BearingPoint, Capgemini and Deloitte Consulting;
- divisions of large multinational technology firms such as Hewlett-Packard and IBM;
- IT outsourcing firms such as Computer Sciences Corporation, Electronic Data Systems and IBM Global Services; and
- offshore IT services firms such as Infosys Technologies Limited, Tata Consultancy Services Limited and Wipro Limited.

We also compete with software firms such as Oracle and SAP, service groups of computer equipment companies, in-house IT departments of large corporations and programming companies and temporary staffing firms. In addition, Nipuna faces competition from firms like Progeon and Wipro BPO, formerly known as Wipro Spectramind.

In the future, we expect competition from firms establishing and building their offshore presence and firms in countries with lower personnel costs than those prevailing in India. However, we recognize that price advantage alone cannot be a sustainable competitive advantage. We believe that the principal competitive factors in our business include our range of services offered, our level of technical expertise and industry knowledge, our responsiveness to customers' business needs and the perceived value added. We believe we compete favorably with respect to these factors.

Communications Infrastructure

A key component of our IT services delivery model is our ability to connect the customer's system with our offsite and offshore centers through a robust and high performance communications network. Our data and voice network, SatyamNet, connects our facilities worldwide through a high speed network with a backbone of satellite, fiber optic and land lines. SatyamNet provides flexibility for the projects to operate from any of the development facilities inside Satyam providing for seamless integration.

We have dedicated telecommunication leased lines from reputed service providers such as AT&T, Sprint, MCI, Telstra, VSNL, Bharti and Software Technology Park of India which permit data communication between our facilities in India and our customers' facilities abroad. In the United States, we have communication hubs in Vienna, Virginia and Parsippany, New Jersey to connect to our customers' sites.

We monitor the network performance and continually upgrade SatyamNet to enhance and optimize network efficiency across all operating locations. We currently have 20Mbps International Private Leased Circuits (IPLC) and 30Mbps Internet bandwidth in India. In addition, we have 12Mbps high speed links connecting various cities in India, with our intra-city links being connected by multiple 2 Mbps lines totaling to 130Mbps across the country. We upgrade the bandwidth based on our requirements.

Our network has surplus capacity available to service new customers in the immediate future and to permit sudden bursts of data transfer and other contingent uses. We use voice over Internet protocols (VoIP) for our voice communication. We have created a resilient network through redundancy in the network and keep adequate stock of spares to ensure high availability and reliability of our networks.

SatyamNet has extensive security and virus protection capability built to conform to stringent customer and international standards to protect Satyam from virus attacks and provide the necessary security to customers' data. We have created plans for business continuity and disaster recovery by defining multiple sites across India and other development centers as backup centers for continuity of work.

Facilities

Our corporate headquarters, the Satyam Technology Center, is located in Hyderabad, India. We own this facility, which provides a modern workspace for approximately 1,400 software associates in two buildings covering an aggregate area of approximately 173,000 square feet, which are linked to our other facilities through SatyamNet. The Satyam Technology Center also has recreational facilities and housing for up to 500 associates which covers an area of approximately 140,000 square feet.

We also have additional offshore software technology centers located in Bangalore, Bhubaneshwar, Chennai, Hyderabad and Pune in India with facilities aggregating approximately 570,000 square feet. We own some of the facilities while others are leased by us on a long-term basis ranging from six to nine years.

Each facility is equipped with computers, servers, telecommunications lines and back-up electricity generation facilities sufficient to ensure an uninterrupted power supply.

In addition to the offshore centers in India, we operate offsite and nearshore centers in major markets to establish a local presence closer to our customers. We lease all of our offsite and nearshore centers for durations ranging from two years to seven years.

The delivery centers of Nipuna are located in Hyderabad and Bangalore and cover an area of 75,000 square feet and 52,000 square feet, respectively.

Intellectual Property

Ownership of software and associated deliverables created for customers is generally retained by or assigned to the customer, and we do not usually retain an interest in such software or deliverables. We also develop software products and software tools which are licensed to customers and remain our property. We rely upon a combination of non-disclosure and other contractual arrangements and copyright, trade secret, patent and trademark laws to protect our proprietary rights in technology. We currently require our technical associates to enter into non-disclosure and assignment of rights agreements to limit use of, access to and distribution of our proprietary information. The source code for our proprietary software is generally protected as trade secrets and as unpublished copyright works. We have applied for the registration of “Satyam” as trademarks in India and United States. We generally apply for trademarks and service marks to identify our various service and product offerings. Although we believe that our services and products do not infringe the intellectual property rights of others, we cannot assure you that such a claim will not be asserted against us in the future.

Seasonality

Our IT services business is not affected by seasonality.

Government Regulation

Regulation of our business by the Indian government affects our business in several ways. We benefit from certain tax incentives promulgated by the Government of India, including a ten-year tax holiday from Indian corporate income taxes for the operation of most of our Indian facilities and a partial taxable income deduction for profits derived from exported IT services under Indian tax laws. As a result of these incentives, our operations have been subject to relatively insignificant Indian tax liabilities. We have also benefited from the liberalization and deregulation of the Indian economy by the successive Indian governments since 1991. Further, there are restrictive parts of Indian law that effect our business, including the fact that we are generally required to obtain approval from the Reserve Bank of India and/or the Ministry of Finance of the Government of India to acquire companies organized outside India, and we are generally required, subject to some exceptions, to obtain approval from relevant government authorities in India in order to raise capital outside India. Finally, the conversion of our equity shares into ADSs is governed by guidelines issued by the Reserve Bank of India.

Please see “Item 10. Additional Information”, as well as “Item 3. Key Information—Risk Factors” for additional information on the effects of governmental regulation of our business.

Research and Development

Our research and development efforts are focused on developing services required by our existing customers, to attract new customers and developing competencies and leadership in our service offerings. We have established close alliances with U.S. and Indian institutions such as Carnegie Mellon University and Indian Institute of Technology, Madras to strengthen our technology competencies. We have set up an enterprise business solution laboratory where latest versions of products are evaluated, business solution scenarios are created and validated. We have set up a grid computing laboratory which simulates a live grid environment for testing sample applications on the grid. We have also established a datawarehousing and business intelligence center which has developed proprietary business intelligence architectural platform which enables us to build large scale data warehousing and business intelligence solutions. We are also working with major technology providers in the areas of technology architectures for .NET for solutions for various industries. In the embedded systems space, we have created an environment to simulate various operating conditions and validate the solutions we build. We have an applied research group which focuses on creating IP in the areas of competition, communication, networking and information processing algorithms. In addition to presenting papers at international conferences and publishing in referenced journals, this group has over 16 United States patent applications in various stages of registration. In fiscal 2006 and 2005, we spent 0.05%, and 0.08% of our total revenues on R&D activities.

ITEM 4A. UNRESOLVED STAFF COMMENTS

As of the date of filing of this Annual Report, we do not have any unresolved written comments from the Commission staff regarding our periodic reports under the Exchange Act.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of the financial condition and results of operations of our company should be read in conjunction with the financial statements and the related notes included elsewhere in this document. This discussion contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please see "Item 3. Key Information—Risk Factors."

Overview

We are a global IT solutions provider, offering a comprehensive range of IT services to our customers, including application development and maintenance services, consulting and enterprise business solutions extended engineering solutions, infrastructure management services. We also offer BPO services through our wholly-owned subsidiary, Nipuna. We are the fourth largest Indian IT software and services company, based on the amount of export revenues generated during our fiscal year ended March 31, 2005. Our total revenues for fiscal 2006 were $1,096.3 million and over the past three fiscal years our revenues have grown at a compound annual growth rate of 33.7%.

On May 12, 2005, we acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm that has focused on the investment management industry since 1986. Citisoft is a UK-based firm, with operating presences in London, Boston and New York. The operating results of Citisoft are evaluated by the management under IT services segment.

In May 2005, we completed a sponsored ADS offering of 15,000,000 ADSs representing 30,000,000 equity shares including the green-shoe option. The offering was priced at $21.5 per ADS. The net proceeds after expenses of the offering were returned to all the selling shareholders. We did not receive any proceeds of the offering.

On October 1, 2005, we acquired 100% of the shares of Knowledge Dynamics, a leading data warehousing and business intelligence solutions provider. The operating results of Knowledge dynamics are evaluated by the management under IT service segment.

On November 7, 2005, we offered to sell an aggregate of 11,182,600 equity shares, representing our entire investment of 31.6% of the outstanding equity shares of Sify. The sale transaction was consummated on November 9, 2005 at a sale price of US$5.60 per equity share aggregating to US$62.3 million.

We believe customers are increasingly demanding full-service IT providers that have expertise in both existing systems and new technologies, access to a large pool of highly-skilled technical personnel and the ability to service customers globally at competitive rates. To meet these requirements, we offer our customers an integrated global delivery model, which we refer to as the "Right Sourcing Model," to provide flexible delivery alternatives to our customers through our offshore centers located in India, offsite centers which we have established in our major markets, nearshore centers located geographically near our customers' premises and through our onsite teams operating at our customers' premises. In addition, we use the expertise resident in our focused industry groups to provide specialized services and solutions to our customers in the manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation industries.

Our revenues and profitability have grown rapidly in recent years. In fiscal 2006, our total revenues increased by 38.1% as compared to fiscal 2005. Our revenues grew to $1,096.3 million in fiscal 2006 from $793.6 million in fiscal 2005. Our revenue and profitability growth is attributable to a number of factors related to the expansion of our business, including increase in the volume of projects completed for our widening customer base, increase in our associate numbers, increased growth in our consulting and enterprise business solutions business and a strengthening of our customer base in North America and Europe. Our growth has continued despite increasing pressure for higher wages for our associates coupled with pressure for lower prices for our customers. In fiscal 2006, 2005 and 2004, our five largest customers accounted for 24.2%, 29.2% and 36.4%, respectively, of our total revenues. As of March 31, 2006, we had 28,624 employees (including employees of Nipuna), whom we refer to as associates, worldwide as compared to 20,690 associates as of March 31, 2005. With our continuing geographical expansion we now have offshore facilities in India and overseas facilities located in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States. We also have sales and marketing offices located in Canada, Germany, Italy, the Netherlands, Spain, Sweden, United Kingdom and United States and sales and marketing offices in the rest of the world.

Upto March 31, 2005, Satyam provided segmental disclosures based on three business groups: IT services, Business Process Outsourcing, and Software Products. Subsequent to March 31, 2005, executive management evaluates Satyam's operating segments based on the following two-business groups, since the revenues from Software Product segment are no longer meaningful and management does not evaluate this segment any longer:

- ***IT services:*** We provide a comprehensive range of IT services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions, and infrastructure management services. We seek to be the single service provider capable of servicing all of our customers' IT requirements. Our consulting and enterprise business solutions includes services in the area of enterprise resource planning, customer relationship management and supply chain management, data warehousing and business intelligence, knowledge management, document management and enterprise application integration. We also assist our customers in making their existing computing systems accessible over the Internet. The segment information for the year ended March 31, 2006 includes the results of Citisoft and Knowledge Dynamics which were acquired during the year.

- ***BPO:*** We provide outsourced BPO services in areas such as human resources, finance and accounting, customer care (such as voice, email and chat) besides also providing industry-specific transaction processing services. We target our BPO services at the insurance, healthcare, banking and financial services, transportation, tourism, manufacturing, automotive, telecommunications, media, utilities and retail industries. Revenues from this business segment currently do not constitute a significant proportion of our total revenues; however, we anticipate that this proportion will increase over time. Our BPO services are offered through our majority-owned subsidiary, Nipuna. As part of the investor rights and securities subscription agreements which we have entered into with Nipuna's two other investors, we have agreed not to compete with Nipuna. Pursuant to these agreements, we and our affiliates are restricted from engaging in activities that are or could directly or indirectly be competitive with the business of Nipuna. Such activities include among others providing BPO, soliciting existing or prospective customers of Nipuna to obtain the services offered by Nipuna from other service providers and investing in companies engaged in the same or similar business as Nipuna. These non-compete restrictions apply until the investors redeem all of their preference shares in Nipuna or their equity interest in Nipuna falls below 5% after an initial public offering.

Revenues

We generate revenues through fees for professional services rendered in our two segments, namely, IT services and BPO services.

The following table sets forth the total revenues (excluding inter-segment revenues) for our business segments for fiscal 2006, 2005 and 2004:

	Year ended March 31,					
	2006		2005		2004	
Segment	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
			(in millions, except percentages)			
IT services	$1,082.7	98.8%	$ 786.7	99.1%	$ 565.1	99.8%
BPO	13.6	1.2%	6.9	0.9	1.3	0.2
Total	$1,096.3	100.0%	$ 793.6	100.0%	$ 566.4	100.0%

We discuss below the components of our IT services revenues by technology type, contract type, offshore or onshore designation, top customers and customer geography:

Revenues by technology

The vast majority of our revenues are generated from our various IT service offerings. The following table presents our IT services revenues (excluding inter-segment revenues) by type of service offering for the periods indicated:

	Year ended March 31,					
	2006		2005		2004	
Technology type	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in millions, except percentages)					
Application development and maintenance services	$ 541.4	50.0%	$ 429.5	54.6%	$ 339.2	60.1%
Consulting and enterprise business solutions	429.5	39.7	269.7	34.3	179.9	31.8
Extended engineering solutions	70.2	6.5	55.2	7.0	20.9	3.7
Infrastructure management services	41.6	3.8	32.3	4.1	25.1	4.4
Total	$1,082.7	100.0%	$ 786.7	100.0%	$ 565.1	100.0%

Revenues by contract type

Our IT services are provided on a time-and-material basis or on a fixed-price basis. Revenues from IT services provided on a time-and-material basis are recognized in the period that the services are performed. Revenues from IT services provided on a fixed-price basis are recognized under the percentage of completion method of accounting and are recorded when we can reasonably estimate the time period to complete the work. The percentage of completion estimates are subject to periodic revisions and the cumulative impact of any revision in the estimates of the percentage of completion is reflected in the period in which the changes become known to us. Although we have revised our project completion estimates from time to time, such revisions have not materially affected our reported revenues to date. In recent years, we have experienced some pricing pressure from our customers, which has had a negative impact on margins. In response to current market trends, we are considering the viability of introducing performance-based or variable-pricing contracts. In the near term, we expect that revenue from fixed-price contracts will continue to increase as current market trends indicate a customer preference towards fixed-price contracts.

The following table presents our IT services revenues (excluding inter-segment revenues) by type of contract for the years indicated:

	Year ended March 31,					
	2006		2005		2004	
Contract type	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in millions, except percentages)					
Time-and-material basis	$ 702.8	64.9%	$ 517.3	65.8%	$ 386.2	68.3%
Fixed-price basis	379.9	35.1	269.4	34.2	178.9	31.7
Total	$1,082.7	100.0%	$ 786.7	100.0%	$ 565.1	100.0%

Revenues based on offshore and onsite/offsite

We provide our IT services through a combination of (i) offshore centers located throughout India, (ii) teams working onsite at a customer’s location, (iii) nearshore centers located in Canada, China and Hungary to service U.S.-based, Asia Pacific based and Europe based customers, respectively, and (iv) offsite centers located in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States. Offshore IT services revenues consist of revenues earned both from IT services work conducted at our offshore centers in India as well as onsite work conducted at customers’ premises which is related to offshore work. Offshore IT services revenues do not include revenues from our offsite or nearshore centers located outside of India or revenues from onsite work which is not related to any offshore work. These later revenues are included in onsite/offsite revenues.

We generally charge higher rates and incur higher compensation expenses for work performed by our onsite teams at our customer’s premises or at our offsite and nearshore centers, as compared to work performed at our offshore centers in India. Services performed by our onsite teams or at our offsite centers typically generate higher revenues per capita, but at a lower gross margin, than the same amount of services performed at our offshore centers in India.

The following table presents our IT services revenues (excluding inter-segment revenues) based on the location where services are performed for the years indicated:

Location	2006 Amount	2006 %	2005 Amount	2005 %	2004 Amount	2004 %
	Year ended March 31, (in millions, except percentages)					
Offshore	$ 496.0	45.8%	$ 327.1	41.6%	$ 248.3	43.9%
Onsite /Offsite	586.7	54.2	459.6	58.4	316.8	56.1
Total	$1,082.7	100.0%	$ 786.7	100.0%	$ 565.1	100.0%

Revenues by top customers

Our top two customers accounted for 14.1 % of our IT services' revenues in fiscal 2006, as compared to 18.3% and 24.2% of IT services revenues in fiscal 2005 and 2004 respectively. Our top five customers accounted for 24.5% of IT services' revenues in fiscal 2006 as compared to 29.5% and 36.5% of IT services' revenues in fiscal 2005 and 2004 respectively.

Revenues based on customer location

We have experienced increasing volumes of business from customers located in North America and Europe, attributable to both new customers and additional business from existing customers. We expect that most of our revenues will be generated in North America followed by Europe in fiscal 2007.

The following table gives the composition of our IT services revenues (excluding inter-segment revenues) based on the location of our customers for the years indicated:

Geographic location	2006 Amount	2006 %	2005 Amount	2005 %	2004 Amount	2004 %
	Year ended March 31, (in millions, except percentages)					
North America	$ 699.0	64.6%	$ 538.2	68.4%	$ 414.0	73.3%
Europe	204.8	18.9	130.7	16.6	77.5	13.7
Japan	15.5	1.4	13.9	1.8	11.1	2.0
India	45.1	4.2	25.5	3.2	16.0	2.8
Rest of the world	118.3	10.9	78.4	10.0	46.5	8.2
Total	$1,082.7	100.0%	$ 786.7	100.0%	$ 565.1	100.0%

Expenses

Cost of revenues

Our cost of revenues consists primarily of salary and other compensation and benefits, stock-based compensation expense, depreciation, data communication expenses, computer maintenance, cost of software, sub-contracting charges, expenses relating to the opening of new onsite, offsite, nearshore and offshore centers, and foreign travel expenses.

The principal component of our cost of revenues is the wage cost of our technical associates. Wage cost in India, including in the IT services industry, have historically been significantly lower than wage cost in the United States and Europe for comparably skilled professionals. However, as wages in India increase at a faster rate than in the United States, we may experience increase in our costs of personnel, particularly project managers and other mid-level professionals.

The utilization levels of our technical associates also affect our revenue and gross profits. We calculate utilization levels on a monthly basis, based on the ratio of the actual number of hours billed by technical associates in such month to the total number of billable hours. For purposes of such calculation, we assume that an associate is 100.0% utilized if he or she works 157 hours per month. We manage utilization by monitoring project requirements and timetables. The number of associates assigned to a project will vary according to size, complexity, duration, and demands of the project. Associate utilization levels for IT services were 85.0%, 82.1% and 81.4% in fiscal 2006, 2005 and 2004 respectively. The utilization levels for our technical associates have been increasing in recent periods, mainly on account of new business and an increase in business from existing customers, and we expect this trend to continue in the near future.

Selling, general and administrative expenses

Selling, general and administrative expenses generally include compensation costs of sales, management and administrative personnel, travel costs, advertising, business promotion, depreciation on assets, rent, repairs, electricity and other general expenses not attributable to cost of revenues.

Subsidiaries

As of March 31, 2006, we have four wholly-owned subsidiaries, Nipuna Services Ltd., or Nipuna, Satyam Technologies Inc., or STI, Satyam Computer Services (Shanghai) Company Limited, or Satyam Shanghai and Knowledge Dynamics Pte Ltd, or Knowledge Dynamics as well as one majority-owned subsidiary, Citisoft Plc, or Citisoft. These five subsidiaries have been consolidated in our consolidated financial statements as of March 31, 2006. The results of Citisoft's operations have been consolidated by us from the acquisition date of May 12, 2005 and the results of Knowledge Dynamics Pte Ltd have been consolidated by Satyam Computer Services from the acquisition date of October 1, 2005.

Citisoft

On May 12, 2005, Satyam acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry since 1986.The acquisition has been accounted for by following the purchase method of accounting.

The consideration for the 75% equity interest in Citisoft amounted to US$17.4 million comprising of an initial consideration of US$14.3 million (including direct acquisition costs of US$0.9 million) and deferred consideration (non-contingent) of US$3.1 million payable on April 30, 2006. Satyam Computer Services is also required to pay a maximum earn out consideration amounting to US$ 3.9 million on April 30, 2006 based on achievement of targeted revenues and profits. The deferred consideration for the acquisition of the 75% equity interest has been accounted for as part of the purchase consideration and shown as a current liability in the balance sheet. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved.

Satyam Computer Services has a call option and the minority shareholders have a put option to acquire or sell (as applicable) the balance 25% equity shares in two tranches 12.5% on April 30, 2007 and 12.5% on April 30, 2008. The consideration payable for the first tranche of 12.5% equity shares on April 30, 2007 would amount to US$2.8 million and a maximum earn-out consideration amounting to US$2.4 million based on achievement of targeted revenues and profits. The consideration payable for the second tranche of 12.5% equity shares on April 30, 2008 would amount to US$2.9 million and a maximum earn-out consideration amounting to US$3.7 million based on achievement of targeted revenues and profits. Satyam Computer Services records the put option at fair value at each balance sheet date, with the initial fair value of the put option included as part of the consideration for its 75.0% interest in Citisoft. The difference between the fair values at each valuation date is charged to selling, general and administration expenses in statement of income. On the basis of an independent valuation, the value of put option was US$ Nil and US$1.1 million as of May 12, 2005 and March 31, 2006 respectively..

Satyam Computer Services is also required to fund an Employee Benefit Trust ("EBT") formed by Citisoft for the purpose of providing additional incentive to employees to contribute to the success of Citisoft. Satyam is required to fund US$1.6 million on April 30, 2006 and a maximum of US$1.6 million each on April 30, 2007 and 2008 based on achievement of targeted revenues and profits. As of March 31, 2006 Satyam Computer Services has accrued US$1.4 million as a current liability and charged US$1.4 million to the statement of income as part of cost of revenues.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

	US$ in millions
Purchase price	**$ 17.4**
Allocated to:	
Net current assets	$ 2.2
Tangible assets	0.3
Customer Contracts related intangibles	0.8
Customer relationship related intangibles	5.4
Trade name	0.7
Goodwill	10.3
Deferred tax liability	(2.3)
Total	**$ 17.4**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

Knowledge Dynamics

On July 21 2005, Satyam Computer Services announced its intention to acquire 100% of the shares of Knowledge Dynamics Pte Ltd, Singapore, ("Knowledge Dynamics"), a leading Data Warehousing and Business Intelligence Solutions provider. The transaction was consummated on October 1, 2005, the date of transfer of shares to Satyam Computer Services. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for this acquisition amounted to US$3.3 million comprising of initial consideration of US$1.8 million (including direct acquisition costs of $11 thousand) and deferred consideration (non-contingent) of US$0.8 million and US$0.7 million payable on April 30, 2006 and 2007 respectively. Satyam Computer Services is also required to pay a maximum earn-out consideration amounting to US$0.3 million, US$0.8 million and US$1.1 million on April 30, 2006, 2007 and 2008 respectively based on the achievement of targeted revenues and profits. The total deferred consideration for the acquisition of US$1.5 million has been accounted for as part of the purchase consideration out of which US$0.8 million has been shown as a current liability and US$0.7 million as non current liability in the balance sheet. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

	US$ in millions
Purchase price	**$ 3.3**
Allocated to:	
Net current assets	$ 0.5
Customer Contracts and Related Relationships	1.0
Trade name	0.1
Goodwill	2.1
Deferred tax liability	(0.4)
Total	**$ 3.3**

Associate — Sify

In addition to our subsidiaries, during fiscal 2006, we also owned 31.6% of the equity shares of Sify. On November 7, 2005, we offered to sell an aggregate of 11,182,600 equity shares, representing our entire investment of 31.6% of the outstanding equity shares of Sify. The sale transaction was consummated on November 9, 2005 at a sale price of US$5.60 per equity share aggregating to US$62.3 million.

We accounted for our share of equity in earnings/(losses) of Sify under the equity method of accounting up to November 9, 2005. The excess of sale proceeds (net of transaction costs) over the carrying value of investment in Sify as on the date of sale amounting to US$43.6 million has been recognized as gain in the statement of income during year ended March 31, 2006.

Income Taxes

The statutory corporate income tax rate in India is currently 30.0%. This tax rate is presently subject to a 10.0% surcharge. The amount of tax and surcharge payable is further subject to a 2.0% education cess, resulting in an effective tax rate of 33.66%. The provision for foreign taxes is due to income taxes payable in overseas tax jurisdictions by our offsite, nearshore and onsite centers, principally in the United States. We benefit from tax incentives provided to software entities as an exemption from payment of Indian corporate income taxes until the earlier of fiscal 2009 or 10 consecutive years of operations of software development facilities designated as “Software Technology Parks,” or STP units. The benefits of this tax incentive have historically resulted in our effective tax rate being well below statutory rates. The exemption is expected to expire between fiscal 2006 and fiscal 2010. Exemption for two of our STP units in Hyderabad expired during the year ended March 31, 2006. We also earn certain other foreign income and domestic income, which are taxable irrespective of the tax holiday as stated above.

Our subsidiaries are subject to income taxes of the countries in which they operate. Our subsidiaries’ operating loss carried forward for tax purposes amounted to approximately $24.0 million as March 31, 2006, which is available as an offset against future taxable income of such entities. These carried forward amounts expire at various dates primarily over eight to twenty years. Realization is dependent on such subsidiaries generating sufficient taxable income prior to expiration of the loss carried forward. A valuation allowance is established attributable to deferred tax assets and losses carried forward in subsidiaries where, based on available evidence, it is more likely than not that they will not be realized. Currently, a full valuation allowance has been made for such losses.

Results of Operations

The following table sets forth operating data in dollars and as a percentage of revenues for the years indicated:

Statement of Operations data:	Year ended March 31, 2006 Amount	2006 %	2005 Amount	2005 %	2004 Amount	2004 %
	(dollars in millions)					
Revenues:						
IT services	$1,083.5	98.8%	$ 787.4	99.2%	$ 565.6	99.9%
BPO	19.9	1.8	10.0	1.3	2.4	0.4
Inter–segment	(7.1)	(0.6)	(3.8)	(0.5)	(1.6)	(0.3)
Total revenues	1,096.3	100.0	793.6	100.0	566.4	100.0
Cost of revenues: (1)						
IT services	(678.1)	(61.9)	(502.2)	(63.3)	(343.1)	(60.6)
BPO	(17.6)	(1.6)	(7.9)	(1.0)	(1.9)	(0.3)
Inter–segment	6.7	0.6	3.3	0.4	1.4	0.2
Total cost of revenues	(689.0)	(62.8)	(506.8)	(63.9)	(343.6)	(60.7)
Gross profit:						
IT services	405.4	37.0	285.2	35.9	222.5	39.3
BPO	2.3	0.2	2.1	0.3	0.5	0.1
Inter–segment	(0.4)	(0.0)	(0.5)	(0.1)	(0.2)	(0.0)
Total gross profit	407.3	37.2	286.8	36.1	222.8	39.3
Operating expenses:						
Selling, general and administrative expenses: (2)						
IT services	(176.8)	(16.1)	(113.4)	(14.3)	(97.3)	(17.2)
BPO	(11.2)	(1.0)	(11.4)	(1.4)	(4.5)	(0.8)
Inter–segment	0.4	0.0	0.5	0.1	0.2	0.0
Total selling, general and administrative expenses	(187.6)	(17.1)	(124.3)	(15.7)	(101.6)	(17.9)
Operating income/(loss):						
IT services	228.6	20.9	171.8	21.7	125.2	22.1
BPO	(8.9)	(0.8)	(9.3)	(1.2)	(4.1)	(0.7)
Inter–segment	—	—	—	—	—	—
Total operating income/(loss)	219.7	20.0	162.5	20.5	121.1	21.4
Interest income	26.3	2.4	22.3	2.8	20.3	3.6
Interest expense	(1.3)	(0.1)	(0.5)	(0.1)	(0.5)	(0.1)
Gain on sale of investments	43.6	4.0	—	0.0	2.7	0.5
Gain/ (loss) on foreign exchange transactions	0.3	0.0	(4.6)	(0.6)	(8.9)	(1.6)
Other income/(expense), net	(0.8)	(0.1)	0.4	0.0	2.3	0.4
Income before income taxes and equity in earnings/(losses) of associated companies	287.8	26.3	180.2	22.7	137.0	24.2
Income taxes	(37.7)	(3.4)	(25.3)	(3.2)	(22.5)	(4.0)
Minority interest	0.1	0.0	—	—	—	—
Equity in earnings/(losses) of associated companies, net of taxes	(0.8)	(0.1)	(1.1)	(0.1)	(2.6)	(0.5)
Net income/(loss)	$ 249.4	22.7	$ 153.8	19.4	$ 111.9	19.8
Depreciation	30.6	2.8	25.0	3.2	24.4	4.3
Stock-based compensation	0.8	0.1	1.9	0.2	1.7	0.3

(1) Inclusive of stock-based compensation expenses of $Nil, $0.8 million and $0.9 million during the years ended March 31, 2006, 2005 and 2004, respectively, in the IT services segments.

(2) Inclusive of stock-based compensation expenses of $0.8 million, $1.1 million and $0.8 million during the years ended March 31, 2006, 2005 and 2004, respectively, in the IT services segments.

Comparison of results for fiscal 2006 and fiscal 2005

Revenues. Our revenues increased by 38.1% to $1,096.3 million in fiscal 2006 from $793.6 million in fiscal 2005. This revenue growth of $302.7 million in fiscal 2006 was primarily the result of an increase in business both from existing customers and new customers. Revenues from existing customers increased by 35.8% to $993.0 million in fiscal 2006 from $731.2 million in fiscal 2005. Revenues from new customers increased by 65.9% to $103.5 million in fiscal 2006 from $62.4 million in fiscal 2005. We added 120 and 108 customers including 12 and 17 from the Fortune Global 500 and Fortune U.S. 500 list in fiscal 2006 and 2005, respectively.

During fiscal 2006, revenues (IT services excluding inter-segment revenues) from consulting and enterprise business solutions has grown by $159.8 million, revenues from application development and maintenance has increased by $111.9 million, followed by extended engineering solutions and infrastructure management services, which grew by $15.0 million and $9.3 million respectively. In terms of percentage growth in fiscal 2006 over fiscal 2005, revenues from consulting and enterprise solutions has grown by 59.3%, application development and maintenance services has grown by 26.1%, extended engineering solutions and infrastructure management services have grown by 27.2% and 28.8% respectively.

Revenues from IT services (excluding inter-segment revenues) provided on a time-and-materials basis decreased to 64.9% in fiscal 2006 from 65.8% in fiscal 2005. Revenues from IT services provided on a fixed-price basis increased to 35.1% in fiscal 2006 from 34.2% in fiscal 2005. The increase in fiscal 2006 for fixed-price contracts is primarily due to the shift in customer preference regarding type of contracts from time-and-material to fixed-price.

The onsite revenues increased as a result of new engagements in consulting and enterprise business solutions in fiscal 2006 and the need for extensive interactions with customers in the early stages of new engagements to understand their business needs and create the relevant processes before we move the appropriate portion of the work offshore.

Of the total increase of $302.7 million in total revenue in fiscal 2006, $168.9 million increased in North America followed by $74.6 million in Europe, $39.7 million in rest of the world $17.9 million in India and $1.6 million in Japan. Our increased business in North America and Europe was due to new customers and additional business from existing customers.

Cost of Revenues. Cost of revenues increased by 35.9% to $689.0 million in fiscal 2006 from $506.8 million in fiscal 2005. Cost of revenues represented 62.8% of revenues in fiscal 2006 and 63.9% in fiscal 2005. This increase by $182.2 million was attributable primarily to increases in associate compensation and benefits expenses, traveling expenses, communication expenses, depreciation and other expenses, attributable largely to an overall increase in our business during this period. Associate compensation and benefits expenses increased by 35.7% to $544.4 million, or 49.7% of revenues in fiscal 2006 from $401.2 million, or 50.6% of revenues in fiscal 2005. The increase in the associate compensation and benefits is due to: (i) increase in the total number of technical associates by 7,471 to 26,711 in fiscal 2006 from 19,240 in fiscal 2005; (ii) increase in number of onsite technical associates by 1,026 to 5,327 in fiscal 2006 from 4,301 in fiscal 2005 for which we pay a higher compensation; (iii) salary incentives amounting to $20.9 million given to technical associates in fiscal 2006 as compared to $7.9 million in fiscal 2005. Salary incentives increased primarily due to introduction of new incentive scheme by the company in fiscal 2006, and (iv) increase of approximately $1.5 million of the funding to Citisoft Employee Benefit Trust accounted as compensation expense relating to employees of Citisoft. Traveling expenses increased by 21.7% to $47.6 million, or 4.3% of revenues, in fiscal 2006 from $39.1 million, or 4.9% of revenues, in fiscal 2005. This increase was primarily due to increase in the number of travels resulting from increase in the number of technical associates. Communication expenses increased by 110.0% to $14.7 million or 1.3% of revenues in fiscal 2006 from $7.0 million, or 0.9% of revenues in fiscal 2005. This increase was primarily due to increase in number of locations of operations, both in India and abroad. Other expenses comprised mainly of rent, power and fuel and maintenance expenses. Other expenses increased by 47.5% to $56.2 million, or 5.1% of revenues, in fiscal 2006 from $38.1 million, or 4.8% of revenues in fiscal 2005. Depreciation expense increased 26.7% to $26.1 million, or 2.4% of revenues, in fiscal 2006 from $20.6 million, or 2.6% of revenues in fiscal 2005.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 50.9% to $187.6 million in fiscal 2006 from $124.3 million in fiscal 2005. Selling, general and administrative expenses represented 17.1% of revenues in fiscal 2006 and 15.7% of revenues in fiscal 2005. This increase of $63.3 million in fiscal 2006 was a result primarily of increase in associate compensation and benefits for non-technical associates, communication expenses, traveling expenses and sales and marketing expenses. Associate compensation and benefits increased by 91.1% to $100.9 million, or 9.2% of revenues, in fiscal 2006 as compared to $52.8 million or 6.7% of revenues in fiscal 2005 primarily on account of increase in number of non-technical associates by 463 to 1,913 as of March 31, 2006 from 1,450 as of March 31, 2005, and salary incentives amounting to $21.0 million given to non-technical associates in fiscal 2006 as compared to $3.9 million in fiscal 2005. Salary incentives increased primarily due to introduction of new incentive scheme by the company in fiscal 2006. Communication expenses decreased by 22.2% to $6.3 million or 0.6% of revenues in fiscal 2006 as compared to $8.1 million or 1.0% of revenue in fiscal 2005. Traveling expenses increased by 103.3% to $18.7 million or 1.7% of revenues in fiscal 2006 from $9.2 million or 1.2% of revenue in fiscal 2005. Traveling expenses increased primarily due to increase in travels by our non-technical associates. Depreciation expenses increased by 4.5% to $4.6 million or 0.4% of revenues in fiscal 2006 from $4.4 million or 0.6% of revenue in fiscal 2005. Professional charges increased by 27.7% to $12.0 million or 1.1% of revenues in fiscal 2006 from $9.4 million or 1.2% of revenues in fiscal 2005. Stock-based compensation expense decreased by 27.3% to $0.8 million in fiscal 2006 from $1.1 million in fiscal 2005. Other expenses comprised primarily of marketing expense, rent, power and fuel and maintenance expenses. Other expenses increased by 12.7% to $44.3 million or 4.0% of revenue in fiscal 2006 from $39.3 million, or 5.0% of revenues in fiscal 2005.

Operating income. Our operating income was $219.7 million in fiscal 2006, representing an increase of 35.2% over the operating income of $162.5 million for fiscal 2005. As a percentage of revenues, operating income decreased to 20.0% in fiscal 2006, from 20.5% in fiscal 2005. This decrease in operating income as a percentage of revenue was due to (i) increase in the associate compensation and benefits expenses by $191.3 million to $645.3 million or 58.9% of revenue in fiscal 2006 from $454.0 million, or 57.2% of revenues, in fiscal 2005 and (ii) offset by decrease in the traveling, depreciation and other expenses.

Interest income. *Interest* income increased to $26.3 million in fiscal 2006 representing an increase of 17.9% from $22.3 million in fiscal 2005, primarily due to additional bank deposits during the period.

Gain on sale of investments. In fiscal 2006, gain on sale of investments was $43.6 million as compared to $Nil in fiscal 2005. The gain of $43.6 million in fiscal 2006 was on account of the gain on sale of 11,182,600 Indian equity shares of Sify.

Gain/(loss) on foreign exchange transactions. In fiscal 2006 and fiscal 2005, 77.6% and 81.8% respectively, of our revenues were generated in U.S. dollars. The average exchange rate of Indian rupee to U.S. dollar in fiscal 2006 was Rs. 44.18 against Rs. 44.85 in fiscal 2005. As at March 31, 2006, the Indian rupee depreciated to Rs. 44.48 against 43.62 at March 31, 2005. As at March 31, 2005, the Indian rupee depreciated to Rs. 43.62 against Rs. 43.40 as at March 31, 2004. As a result of these fluctuations in exchange rates during fiscal 2006 and fiscal 2005, gain on foreign exchange transactions was $0.3 million in fiscal 2006 as compared to a loss of $4.6 million in fiscal 2005.

Other income/(expenses), net. Other income/ (expenses), net were $(0.8) million in fiscal 2006, as compared to other income /(expenses), net were $0.4 million in fiscal 2005. The decrease in the other income is primarily on account of loss on forward and options contracts amounting to $0.8 million in fiscal 2006 as compared to a loss of $0.3 million in fiscal 2005.

Income taxes. Income taxes were $37.7 million in fiscal 2006, representing an increase of 49.0% from $25.3 million in fiscal 2005. This increase was primarily due to increase in tax of $7.7 million relatable to sale of shares in Sify. The expiry of tax exemption benefit for two of our STP units in Hyderabad resulted in increase in income taxes by $2.8 million in fiscal 2006.

Equity in earnings/(losses) of associated companies, net of taxes. Equity in losses of associated companies was $0.8 million in fiscal 2006 as compared to $1.1 million in fiscal 2005. Equity in losses of Sify and CA Satyam amounted to $1.3 million and $15 thousand respectively in fiscal 2006 as compared to $1.7 million and $63 thousand respectively in fiscal 2005. These losses were partially offset by equity in profit of Satyam Venture amounting to $0.5 million in fiscal 2006 as compared to equity in loss of $0.7 million in fiscal 2005.

Net income. As a result of the foregoing, our net income was $249.4 million in fiscal 2006, representing an increase of 62.2% over net income of $153.8 million in fiscal 2005. As a percentage of total revenues, net income increased to 22.7% in fiscal 2006 from 19.4% in fiscal 2005.

Comparison of results for fiscal 2005 and fiscal 2004

Revenues. Our revenues increased by 40.1% to $793.6 million in fiscal 2005 from $566.4 million in fiscal 2004. This revenue growth of $227.2 million in fiscal 2005 was primarily the result of an increase in business both from existing customers and new customers. Revenues from existing customers increased by 42.4% to $731.2 million in fiscal 2005 from $513.6 million in fiscal 2004. Revenues from new customers increased by 18.2% to $62.4 million in fiscal 2005 from $52.8 million in fiscal 2004. We added 108 customers both in fiscal 2005 and 2004 including 17 and 25 from the Fortune Global 500 and Fortune U.S. 500 list in fiscal 2005 and 2004, respectively.

During fiscal 2005, revenues (IT services excluding inter-segment revenues) from application development and maintenance has grown by $90.4 million or 26.7%, revenues from consulting and enterprise business solutions has increased by $89.8 million or 49.9%, followed by revenues in extended engineering solutions and infrastructure management services, which grew by $34.3 million and $7.2 million or 164.1% and 28.7% respectively.

Revenues from IT services (excluding inter-segment revenues) provided on a time-and-materials basis decreased to 65.8% in fiscal 2005 from 68.3% in fiscal 2004. Revenues from IT services provided on a fixed-price basis increased to 34.2% in fiscal 2005 from 31.7% in fiscal 2004. The increase in fiscal 2005 for fixed-price contracts is primarily due to the shift in customer preference regarding type of contracts from time-and-material to fixed-price.

The onsite revenues in fiscal 2005 increased as a result of new engagements in consulting and enterprise business solutions, and the need for extensive interactions with customers in the early stages of new engagements to understand their business needs and create the relevant processes before we move the appropriate portion of the work offshore. Revenues from new customers increased by 18.2% to $62.4 million in fiscal 2005 from $52.8 million in fiscal 2004.

Of the total increase of $227.2 million in total revenue in fiscal 2005, $127.5 million was on account of increase in revenues from North America followed by $53.9 million increase in revenue from Europe and $31.8 million in rest of the world; revenues in India increased by $11.2 million and in Japan by $2.8 million. Our increased business in North America and Europe was due to new customers and additional business from existing customers.

Cost of Revenues. Cost of revenues increased by 47.5% to $506.8 million in fiscal 2005 from $343.6 million in fiscal 2004. Cost of revenues represented 63.9% of revenues in fiscal 2005 and 60.7% in fiscal 2004. This increase by $163.2 million was attributable primarily to increases in associate compensation and benefits expenses, traveling expenses, communication expenses, depreciation and other expenses, attributable largely to an overall increase in our business during this period. Associate utilization levels for IT services were 82.1% and 81.4% in fiscal 2005 and 2004, respectively. Associate compensation and benefits expenses increased by 56.7% to $401.2 million, or 50.6% of revenues in fiscal 2005 from $256.0 million, or 45.2% of revenues in fiscal 2004. The increase in the associate compensation and benefits is due to: (i) increase in the total number of technical associates by 5,790 to 19,240 in fiscal 2005 from 13,450 in fiscal 2004; (ii) increase in number of onsite technical associates by 845 to 4,301 in fiscal 2005 from 3,456 in fiscal 2004 for which we pay a higher compensation; and (iii) an increase of existing salaries (approximately 17%) during the period. Traveling expenses increased 23.3% to $39.1 million, or 4.9% of revenues, in fiscal 2005 from $31.7 million, or 5.6% of revenues, in fiscal 2004. Communication expenses increased 37.3% to $7.0 million or 0.9% of revenues in fiscal 2005 from $5.1 million in fiscal 2004. Other expenses comprised mainly of rent, power and fuel and maintenance expenses. Other expenses increased by 27.9% to $38.1 million, or 4.8% of revenues, in fiscal 2005 from $29.8 million in fiscal 2004. Depreciation expense increased 2.5% to $20.6 million, or 2.6% of revenues, in fiscal 2005 from $20.1 million in fiscal 2004. Stock-based compensation expense decreased by 8.8% to $775 thousand in fiscal 2005 from $850 thousand in fiscal 2004.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 22.3% to $124.3 million in fiscal 2005 from $101.6 million in fiscal 2004. Selling, general and administrative expenses represented 15.7% of revenues in fiscal 2005 and 17.9% of revenues in fiscal 2004. This increase of $22.7 million in fiscal 2005 was a result primarily of increase in associate compensation and benefits for non-technical associates, communication expenses, traveling expenses and sales and marketing expenses. Associate compensation and benefits increased 40.8% to $52.8 million, or 6.7% of revenues, in fiscal 2005 as compared to $37.5 million or 6.6% of revenues in fiscal 2004 primarily on account of increase in number of non-technical associates to 1,450 from 1,006, incentives amounting to $3.7 million and salary increments (approximately 17%) given to associates during the year. Communication expenses increased 35.0% to $8.1 million or 1.0% of revenues in fiscal 2005 as compared to $6.0 million or 1.1% of revenue in fiscal 2004. Traveling expenses increased 5.7% to $9.2 million or 1.2% of revenues in fiscal 2005 from $8.7 million or 1.5% of revenue in fiscal 2004. Traveling expenses increased primarily due to increase in travels by our non-technical associates. Stock-based compensation expense increased 54.7% to $1.2 million in fiscal 2005 from $771 thousand in fiscal 2004. Other expenses comprised primarily of depreciation, professional charges, marketing expense, rent, power and fuel and maintenance expenses. Other expenses increased 9.0% to $53.1 million or 6.7% of revenue in fiscal 2005 from $48.7 million, or 8.6% of revenues in fiscal 2004.

Operating income. Our operating income was $162.5 million in fiscal 2005, representing an increase of 34.2% over the operating income of $121.1 million for fiscal 2004. As a percentage of revenues, operating income decreased to 20.5% in fiscal 2005, from 21.4% in fiscal 2004. This decrease in operating income as a percentage of revenue was due to (i) increase in the associate compensation and benefits expenses by $160.5 million to $454.0 million or 57.2% of revenue in fiscal 2005 from $293.5 million, or 51.8% of revenues, in fiscal 2004 and (ii) offset by decrease in the traveling, communication, depreciation and other expenses.

Interest income. Interest income increased to $22.3 million in fiscal 2005 representing an increase of 9.9% from $20.3 million in fiscal 2004. This increase was due to increase in deposits with banks by $79.5 million to $411.6 million in fiscal 2005 from $332.1 million in fiscal 2004.

Gain on sale of shares in associated company/others. In fiscal 2005, gain on sale of investments was $Nil as compared to $2.7 million in fiscal 2004. The gain of $2.7 million in fiscal 2004 was on account of the gain on sale of 1,000,000 Indian equity shares of Sify amounting to $2.6 million.

Gain/(loss) on foreign exchange transactions. In fiscal 2005 and fiscal 2004, 81.8% and 84.5% respectively, of our revenues were generated in U.S. dollars. The average exchange rate of Indian rupee to U.S. dollar in fiscal 2005 was Rs. 44.85 against Rs. 45.96 in fiscal 2004. As at March 31, 2005, the Indian rupee depreciated to Rs. 43.62 against 43.40 at March 31, 2004. As at March 31, 2004, the Indian rupee appreciated to Rs. 43.40 against Rs. 47.53 as at March 31, 2003. As a result of the average exchange rate during fiscal 2005 being lower than during fiscal 2004, loss on foreign exchange transactions was $4.6 million in fiscal 2005 as compared to a loss of $8.9 million in fiscal 2004.

Other income/(expenses), net. Other income was $326 thousand in fiscal 2005, representing a decrease of 85.6 % from $2.3 million in fiscal 2004. The decrease in the other income is primarily on account of loss on forward and options contracts amounting to $339 thousand in fiscal 2005 as compared to a gain of $2.4 million in fiscal 2004. This decrease was partly offset by increase in other income, net of other expenses to $665 thousand in fiscal 2005 as compared to a loss of $91 thousand in fiscal 2004.

Income taxes. Income taxes were $25.3 million in fiscal 2005, representing an increase of 12.4% from $22.5 million in fiscal 2004.

Equity in earnings/(losses) of associated companies, net of taxes. Equity in losses of associated companies was $1.1 million in fiscal 2005 as compared to $2.6 million in fiscal 2004. Equity in losses of Sify and CA Satyam amounted to $1.7 million and $63 thousand respectively in fiscal 2005 as compared to $2.2 million and $398 thousand respectively in fiscal 2004. These losses were partially offset by equity in profit of Satyam Venture amounting to $706 thousand in fiscal 2005 as compared to equity in loss of $3 thousand in fiscal 2004.

Net income. As a result of the foregoing, our net income was $153.8 million in fiscal 2005, representing an increase of 37.4% over net income of $111.9 million in fiscal 2004. As a percentage of total revenues, net income decreased to 19.4% in fiscal 2005 from 19.8% in fiscal 2004.

Liquidity and Capital Resources

Net cash provided by operating activities

Net cash provided by operating activities was $162.7 million, $171.3 million and $89.2 million in fiscal 2006, 2005 and 2004, respectively.

In fiscal 2006, non-cash adjustments to reconcile the $249.4 million net income to net cash used in operating activities consisted primarily of depreciation and amortization expense of $31.5 million and increase in net accounts receivable and unbilled revenues. Net accounts receivable and unbilled revenues increased by $81.9 million primarily as a result of an increase in our revenues and increase in collection period. Accounts payable and accrued expenses increased by $38.1 million primarily on account of accrued compensation and benefits of $7.7 million, increase in sub-contracting charges payable by $1.6 million, and increase in provision for gratuity and unutilized leave by $5.7 million.

In fiscal 2005, non-cash adjustments to reconcile the $153.8 million net income to net cash provided by operating activities consisted primarily of depreciation expense of $25.0 million and increase in net accounts receivable and unbilled revenues. Net accounts receivable and unbilled revenues increased by $40.7 million primarily as a result of an increase in our revenues. Accounts payable and accrued expenses increased by $19.6 million primarily on account of an increase in taxes by $2.1 million and an increase in sub-contracting charges payable by $5.0 million.

In fiscal 2004, non-cash adjustments to reconcile the $111.9 million net income to net cash used in operating activities consisted primarily of depreciation expense of $24.4 million. Net accounts receivable and unbilled revenues increased by $22.5 million primarily as a result of an increase in our revenues. Increase in other working capital assets of $25.4 million was primarily on account of interest accrued on deposits placed with banks. Unearned and deferred revenues increased because of advance billing on customers for services to be rendered in future.

Net cash used in investing activities

Net cash used in investing activities was $5.2 million in fiscal 2006 against net cash used in investing activities of $115.5 million and $60.0 million in fiscal 2005 and 2004 respectively.

This decrease in net cash used in investing activities was primarily due to sale of shares in Sify amounting to $62.3 million, offset by (i) payment of consideration for the acquisition of Citisoft Plc amounting to $12.1 million net of cash acquired,(ii) payment for acquisition of Knowledge Dynamics amounting to $1.6 million net of cash acquired and (iii) increase in purchases of premises, plant and equipment to $54.1 million in fiscal 2006 due to purchase of premises and equipment, primarily infrastructure, computers and other equipment associated with the expansion of new facilities at Bangalore, Chennai, Hyderabad and Visakhapatnam.

Net cash used in investing activities in fiscal 2005 increased by $55.5 million to $115.5 million from $60.0 million in fiscal 2004. This increase was primarily due to increase in investments in bank deposits by $ 33.9 million to $79.3 million in fiscal 2005 as compared to $45.4 million in fiscal 2004, increase in purchases of premises, plant and equipment by $22.2 million to $39.0 million in fiscal 2005 from $16.8 million in fiscal 2004 due to the purchase of land by Nipuna and purchase of equipment, primarily infrastructure, computers and other equipment associated with the expansion of new facilities at Hyderabad, Bangalore and Chennai.

Net cash used in investing activities in fiscal 2004 decreased by $212.0 million to $60.0 million from $272.0 million in fiscal 2003. This decrease was primarily related to a decrease in investments in bank deposits and acquisitions and investments in associate companies. Investments made in bank deposits in fiscal 2004 were $45.4 million as compared to $259.3 million in fiscal 2003. Net cash used for acquisitions and investment in associate companies decreased from $5.1 million in fiscal 2003 to zero in fiscal 2004. These decreases were partially offset by an increase in purchase of premises and equipment by $5.8 million in fiscal 2004.

Net cash provided by/ (used in) financing activities

Net cash provided by financing activities was $6.1 million in fiscal 2006 against net cash used in financing activities was $12.9 million and $ 11.6 million in fiscal 2005 and 2004 respectively.

In fiscal 2006, $6.1 million is used in financing activities. We received cash from issuance of associate stock options of $31.0 million, $3.6 million from short term debt by our subsidiary and $16.3 million from long term debts by Nipuna. We used cash in repayment of loans amounting to $3.9 million. Cash dividends paid amounted to $41.3 million in fiscal 2006.

In fiscal 2005, $26.8 million was raised from financing activities, primarily from issuance of preferred stock (net of issuance costs) of $9.5 million by our subsidiary, $15.3 million by associate stock options and $1.7 million from short-term debt by our subsidiary. Cash dividends paid amounted to $37.6 million in fiscal 2005 as compared to $26.2 million in fiscal 2004.

During fiscal 2004, $20.5 million was raised from financing activities, primarily from the issuance of preferred stock (net of issuance costs) of $9.4 million by our subsidiary and $9.3 million by associate stock options. We used cash to repay loans amounting to $2.5 million and to pay of dividend amounting to $26.2 million in fiscal 2004.

As of March 31, 2006, we had cash and cash equivalents of $292.8 million, rupee denominated loans from the Satyam Associate Trust of $1.3 million secured by our shares held by the Satyam Associate Trust, U.S. dollar denominated loans of Nipuna amounting to $16.1 million and other outstanding loans of $7.0 million with maturities ranging from one to three years. As of March 31, 2006, we had an unused working capital line of credit of $7.7 million from banks and unused non-funded lines of credit of $4.4 million from banks.

The following table describes our outstanding credit facilities as of March 31, 2006

Loan Type	Lenders	Amount outstanding	Interest (per annum)	Computation method
		(dollars in millions)		
Rupee loan of Satyam Associates Trust	Cholamandalam	$ 1.3	10.25%	Fixed
Working capital term loan	BNP Paribas	5.6	6 month LIBOR +0.95%	Floating
External commercial borrowing	BNP Paribas	10.5	6 month LIBOR +0.95%	Floating
Export packing credit	BNP Paribas	4.1	6 month LIBOR +0.25%	Floating
Other loans	Various other parties	2.9	3.0%-14.5%	Fixed
Total		**$ 24.4**		

We anticipate capital expenditures of approximately $75.0 million in fiscal 2007, principally to finance construction of new facilities in our offshore centers, expand facilities in offshore centers in India and establish offsite centers outside India. We believe that existing cash and cash equivalents and funds generated from operations will be sufficient to meet these requirements. However, we may significantly alter our proposed capital expenditures plans and accordingly, may require additional financing to meet our requirements. In either case, we cannot assure you that additional financing will be available at all or, if available, that such financing will be obtained on terms favorable to us or that any additional financing will not be dilutive to our shareholders.

We have guaranteed payment of all sums payable by Nipuna to its two strategic investors, Olympus Capital and Intel Capital, upon redemption of the $20 million preference shares in Nipuna held by them. These preference shares are to be mandatorily redeemed or converted into equity shares no later than June 2006, if Nipuna achieves certain targets for revenues and profits by March 31, 2006. If these targeted revenues and profits are not achieved along with other triggering events, the investors have an option to either redeem the preference shares or convert them. Although certain triggering events for early redemption as per the agreement have occurred during the period January 2004 to December 2004, the investors waived their right of early redemption. Further Nipuna has not achieved the targeted revenues and profits upto March 2006. If not earlier converted, these preference shares are redeemable on maturity in June 2007 at a redemption premium, which could range between 7.5% to 13.5% per annum.

In addition, depending upon certain triggering events, we may be required to subscribe to US$20 million in convertible debentures of Nipuna which would be convertible upon the election of Nipuna into ordinary shares at any time. On January 6, 2005, Nipuna obtained approval from a bank for long-term borrowings up to US$20 million with an interest of 0.95% above a six-month LIBOR. Satyam Computer Services has given a corporate guarantee to the bank for this borrowing. As per the terms of the facility, Nipuna was required to draw the funds prior to September 30, 2005 and Nipuna has got a further extension upto June 30, 2006. The borrowing is repayable in 3 years from each draw down of the borrowing. As of March 31, 2006, Nipuna has availed $16.1 million under the above arrangement. We expect that we will not be required to subscribe to the convertible debenture described above

The following table sets forth our contractual obligations and commitments to make future payments as of March 31, 2006. The following table excludes our accounts payable, accrued operating expenses and other current liabilities which are payable in normal course of operations. We believe that the conversion of the Nipuna preference shares is more probable than redemption and therefore have not included such redemption and the redemption premium payable, if redeemed as per the terms of the agreement, in the following table.

	Payments due as at March 31, 2006,				
	Within 1 year	1-3 years	3-5 years	After 5 years	Total
			(dollars in millions)		
Long-term debt	$ 2.4	$ 1.8	$16.1	—	$ 20.3
Operating leases	4.1	3.0	0.6	$ 0.4	8.1
Unconditional purchase obligations:					
Other commercial commitments	26.7	—	—	—	26.7
Bank guarantees	3.7	2.9	0.4	6.4	13.4
Letters of credit	—	—	—	—	—
Gratuity Plan	1.5	3.7	5.6	13.0	23.8
Citisoft deferred and earn-out consideration and EBT funding (1)	8.5	15.0	—	—	23.5
Knowledge Dynamics deferred and earn-out consideration (2)	1.1	2.7	—	—	3.8
Total contractual cash obligations	**$48.0**	**$29.1**	**$22.7**	**$19.8**	**$119.6**

(1) The earn-out consideration and the further funding of EBT are based on fulfillment of certain conditions.

(2) Earn-out consideration of Knowledge Dynamics is based on certain conditions.

Based on past performance and current expectations, we believe that our cash and cash equivalents, short-term investments, and cash generated from operations will satisfy our working capital needs, capital expenditures, investment requirements, stock repurchases, commitments, and other liquidity requirements associated with our existing operations through at least the next 12 months. In addition, there are no transactions, arrangements, and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of our requirements for capital resources.

Deferred Stock-based Compensation

We have three associate stock option plans: our Associated Stock Option Plan, or ASOP, established in May 1998; our Associated Stock Option Plan B, or ASOP B, established in May 1999; and our Associated Stock Option Plan ADS, or ASOP ADS, established in May 1999. We also have the Employee Stock Option Plan, or ESOP, established by Nipuna in April 2004.

ASOP

We account for the ASOP as a fixed plan in accordance with Accounting Principles Board, or APB, Opinion No. 25. Under U.S. GAAP, the difference between the exercise price and the market price on the date the warrants are granted to associates is required to be recognized as a non-cash compensation charge and amortized over the vesting period of the equity shares underlying the warrants. Under U.S. GAAP, in fiscal 2006 and 2005, we recognized deferred stock-based compensation of $0.4 million and $2.2 million, and amortized and charged to earnings $0.4 million, $1.9 million during the same periods, respectively.

ASOP B

The ASOP B is substantially similar to the ASOP and is administered by the compensation committee of our board of directors. The SEBI guidelines define the exercise price as the price payable by the employee for exercising the option granted to him in pursuance of the stock option plan. In determining the exercise price, we opted for the higher of (a) the closing price of the shares on the date of the meeting of the compensation committee convened to grant the stock options, on the stock exchange where highest volumes are traded, or (b) the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange on which the shares of the company are listed. Under U.S. GAAP, in fiscal 2006 and 2005, we recognized deferred stock-based compensation of $0.5 million and $(28) thousand and amortized and charged to earnings $0.4 million and $(27) thousand during the same periods, respectively.

ASOP ADS

Under ASOP ADS, we periodically issue grants to eligible associates to purchase ADSs. We account for the ASOP ADS as a fixed option plan.

Nipuna ESOP

Under the Nipuna ESOP options are granted at fair value to associates as determined by an independent valuer as of the date of grant. We account for the Nipuna ESOP as a fixed option plan. We expect that the exercise prices of options granted in the future under the plan will not be less than the fair market value and therefore we do not expect to incur compensation expense with respect to those future grants under current accounting rules.

Effect of recently issued accounting pronouncements

On December 16, 2004, the FASB issued FAS 123R, Share-Based Payment, an amendment of FASB Statements No. 123 and 95, that addressed the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. This statement eliminates the ability to account for share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees," and requires that such transactions be accounted for using a fair-value-based method and recognized as expenses in our consolidated statement of operations. As of the required effective date, the standard requires that the modified prospective method be used, which requires that the fair value of new awards granted from the beginning of the year of adoption (plus unvested awards as of the effective date) be expensed over the vesting period. In addition, the statement encourages the use of the "binomial" approach to value stock options, which differs from the Black-Scholes option pricing model that we currently use in the footnotes to our consolidated financial statements.

The revised FAS 123R as issued by FASB will have a significant impact on our consolidated statement of income as Satyam Computer Services, our subsidiaries and our associated companies will be required to expense the fair value of our stock option grants rather than expensing the intrinsic value of stock options as is our current practice. FAS 123R is applicable to Satyam for annual periods beginning after June 15, 2005. Management estimates the likely impact of SFAS 123R to be similar to the amounts disclosed as pro forma disclosures in accordance with SFAS 123.

In May 2005, FASB Issued FAS No. 154, "Accounting Changes and Error Corrections — a replacement of APB No. 20 and FAS No. 3". FAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. FAS 154 also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by FAS 154. FAS 154 shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a material impact on Satyam's consolidated financial statements.

Critical Accounting Policies

The following is a brief discussion of the more significant accounting policies and methods used by us. We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout this section where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 1 in the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 20-F.

Our preparation of this Annual Report on Form 20-F requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue recognition

Our revenue recognition policy is significant because our revenue is a key component of our results of operations. We follow very specific and detailed guidelines in measuring revenue; however, certain judgments affect the application of our revenue policy. Revenue results are difficult to predict, and any shortfall in revenue or delay in recognizing revenue could cause our operating results to vary significantly from quarter to quarter and could result in future operating losses.

We derive our revenues primarily from IT services, which includes application development and maintenance services, consulting and enterprise business solutions, extended engineering solutions, and infrastructure management services.

Revenues earned from services performed on a “time-and-material” basis are recognized as the services are performed. IT services performed on time bound fixed-price engagements require accurate estimation of the costs which include salaries and related expenses of technical associates, related communication expenses, travel costs, scope and duration of each engagement. Revenue and the related costs for these projects are recognized on percentage of completion, with revisions to estimates reflected in the period in which changes become known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated. We recognize revenue based on the completed-contract method where the work to complete cannot be reasonably estimated.

We provide our customers with one to three months warranty as post-sale support for our fixed-price engagements. Historically, we have not incurred any material expenditure on account of warranties and since the customer is required to formally sign off on the work performed, any subsequent work is usually covered by an additional contract.

Impairment of Goodwill

We assess the impairment of goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;
- significant decline in our stock price for a sustained period; and
- our market capitalization relative to net book value.

When we determine that the carrying value of goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model.

Effective April 1, 2002, we adopted SFAS 142 which requires, among other things, the discontinuance of amortization related to goodwill and indefinite lived intangible assets. These assets will then be subject to an impairment test at least annually. We are required to perform goodwill impairment tests on an annual basis and between annual tests in certain circumstances. We performed an initial impairment review of goodwill on the adoption of SFAS 142 and also carried out an annual impairment review in 2006. Based on these tests there is no impairment of goodwill during the year ended March 31, 2006.

Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

Accounts Receivable

We estimate the amount of uncollectible receivables each period and establish an allowance for uncollectible amounts. The amount of the allowance is based on the age of unpaid amounts, information about the creditworthiness of customers, and other relevant information. Estimates of uncollectible amounts are revised each period, and changes are recorded in the period they become known. A significant change in the level of uncollectible amounts would have a significant effect on our results of operations.

Accounting for income taxes

As part of the process of preparing our consolidated financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the statement of operations.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. The valuation allowance is based on our estimates of taxable income by jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates or we adjust these estimates in future periods we may need to establish an additional valuation allowance which could materially impact our financial position and results of operations.

Effects of Inflation

India has experienced relatively high rates of inflation in the past however it has not had a significant effect on our results of operations and financial condition to date.

Exchange Rates

The following table sets forth, for each of the months indicated, information concerning the number of Indian rupees for which one U.S. dollar could be exchanged based on the average of the noon buying rate in the City of New York on the last day of each month during each of such months for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York:

Month	Month end	Average	High	Low
		(Rupees)		
April-04	44.52	43.89	44.52	43.40
May-04	45.42	45.18	45.57	44.55
June-04	45.99	45.50	46.21	44.94
July-04	46.40	46.06	46.45	45.66
August-04	46.35	46.32	46.40	46.21
September-04	45.91	46.05	46.35	45.81
October-04	45.30	45.74	45.87	45.30
November-04	44.47	45.03	45.40	44.47
December-04	43.27	43.85	44.52	43.27
January-05	43.60	43.62	43.82	43.35
February-05	43.57	43.58	43.73	43.28
March-05	43.62	43.59	43.70	43.44
April-05	43.48	43.64	43.72	43.48
May-05	43.62	43.41	43.62	43.21
June-05	43.51	43.52	43.71	43.44
July-05	43.40	43.43	43.59	43.05
August-05	44.00	43.55	44.00	43.36
September-05	43.94	43.85	43.98	43.75
October-05	45.09	44.76	45.11	44.00
November-05	45.87	45.63	45.87	45.02
December-05	44.95	45.56	46.26	44.94
January-06	43.96	44.20	44.92	43.89
February-06	44.21	44.23	44.54	44.10
March-06	44.48	44.34	44.58	44.09

Risk Management Policy

Our functional currency is the Indian rupee, however we transact a major portion of our business in U.S. dollars and other currencies and accordingly face foreign currency exposure from our sales in the United States and elsewhere and from our purchases from overseas suppliers in U.S. dollars and other currencies. Accordingly, we are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future.

We manage risk on account of foreign currency fluctuations through treasury operations. Our risk management strategy is to identify risks we are exposed to, evaluate and measure those risks, decide on managing those risks, regular monitoring and reporting to management. The objective of our risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater predictability and stability. Our risk management policies are approved by senior management and include implementing hedging strategies for foreign currency exposures, specification of transaction limits; specifying authority and responsibility of the personnel involved in executing, monitoring and controlling such transactions.

We enter into foreign exchange forward and options contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in U.S. dollars. We enter into foreign exchange forward and options contracts where the counter party is generally a bank. We consider the risks of non-performance by the counter party as non-material. These contracts mature between one and nine months. These contracts do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS No. 133, is marked to market and recognized in earnings.

The following tables give details in respect of our outstanding foreign exchange forward and options contracts:

	As at March 31,		
	2006	2005	2004
	Amount	Amount	Amount
		(dollars in millions)	
Aggregate contracted principal amounts of contracts outstanding:			
Forward contracts	$ 79.0	$ 160.0	$ 44.5
Options contracts	137.0	141.5	—
Total	**$ 216.0**	**$ 301.5**	**$ 44.5**
Gains/(loss) on outstanding contracts:			
Forward contracts	$ 0.4	$ 1.0	$ 0.4
Options contracts	(1.8)	0.1	—
Total	**$ (1.4)**	**$ 1.1**	**$ 0.4**

The outstanding foreign exchange forward and options contracts as of March 31, 2006 mature between one to eleven months.

Gains/(losses) on foreign exchange forward and options contracts included under the head other income/(expense) in the statement of income are as stated below:

	Year ended March 31,		
	2006	2005	2004
	Amount	Amount	Amount
		(dollars in millions)	
Forward contracts	$ 0.8	$ (0.5)	$ 2.4
Options contracts	(1.6)	0.2	—
Total	**(0.8)**	**$ 0.3**	**$ 2.4**

Off-Balance Sheet Arrangements

We currently do not engage in any off-balance sheet arrangements.

Foreign Currency Transactions/ Translation

During the fiscal 2006, 2005 and 2004, 77.6%, 81.8% and 84.5%, respectively, of our total revenues were generated in U.S. dollars. A significant amount of our expenses were incurred in Indian rupees and the balance was primarily incurred in U.S. dollars, European currencies and Japanese yen. Our functional currency and the functional currency for our subsidiaries located in India is the Indian rupee; however, U.S. dollar, Pound Sterling, Singapore Dollar and Renminbi are the functional currencies of our foreign subsidiaries located in the United States, United Kingdom, Singapore and China respectively. The translation of such foreign currencies into U.S. dollars (our reporting currency) is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using monthly simple average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income, a separate component of shareholders' equity.

We expect that a majority of our revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in Indian rupees. Consequently, our results of operations will be affected to the extent the rupee appreciates/ depreciates against the U.S. dollar.

The average exchange rate of rupee to U.S. dollar in fiscal 2006 was Rs. 44.18 against Rs. 44.85 in fiscal 2005. As at March 31, 2006, the rupee depreciated to Rs. 44.48 against Rs. 43.62 as at March 31, 2005. As at March 31, 2005, the rupee depreciated to Rs. 43.62 against Rs.43.40 as at March 31, 2004. As a result, gain on foreign exchange transactions was $0.3 million in fiscal 2006 as compared to a loss of $4.6 million in fiscal 2005.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth the name, age, and position of each of our directors and key management personnel of Satyam, as of March 31, 2006:

Directors

Name	Age	Position
B. Ramalinga Raju	50	Chairman
B. Rama Raju	46	Managing Director and Chief Executive Officer(3)
V.P. Rama Rao	72	Director(1),(2),(3)
Dr. Mangalam Srinivasan	67	Director(1),(2)
Krishna G. Palepu	51	Director
Vinod K. Dham	55	Director(2)
M.Rammohan Rao	64	Director(1), (2)

Key Management Personnel (4)

Name	Age	Position
Anand T. R	50	Director and Senior Vice President, Vertical Business Unit — TIMES
Jayaraman G	50	Sr. Vice President, Corporate Governance and Company Secretary
Joseph Abraham	53	Director and Senior Vice President, Vertical Business Unit — Retail
Keshab Panda	47	Director and Senior Vice President, Regional Business Unit, Europe
Manish Sukhlal Mehta	49	Director and Senior Vice President, Horizontal Competency Unit — SAP, Engineering and Spatial Services
Mohan Eddy F.S	55	Director, Internal Information Systems and Platinum Processes Group
Murty A.S	47	Director and Senior Vice President, Leadership Development Group
Prabhat G.B	40	Director, Horizontal Business Unit — Business Solution
Ram Mynampati	48	President, Commercial and Healthcare Businesses
Ravi Shanker Bommakanti	47	Director and Senior Vice President — Vertical Business Unit — Insurance
Shailesh Shah	45	Director and Senior Vice President — Corporate Strategy Group
Srinivas V	45	Director, Senior Vice President and Chief Financial Officer
Subramanian D	46	Director and Senior Vice President — Vertical Business Unit — Manufacturing, Energy, Oil and Gas and Utilities
Vijay Prasad Boddupalli	54	Director and Senior Vice President — Horizontal Competency Unit — Enterprise Applications and Business Intelligence Solutions
Virender Aggarwal	45	Director and Senior Vice President — Regional Business Unit-India, Middle, Africa & Asia Pacific
V Murali	41	Director and Senior Vice President – Commercial and Contract Management

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Investors Grievance Committee

(4) Directors listed under key management personnel are directors of business/support units and not members of our board of directors.

B. Ramalinga Raju has been on our board of directors since our inception in 1987. Prior to becoming the Chairman in 1995, he was the Vice Chairman of the Satyam Corporate Group. Mr. Ramalinga Raju also sits on the board of directors of Nipuna. Mr. Raju founded Satyam Computer Services in 1987 and has been instrumental in developing Satyam into one of the top Indian IT services company. Among the many awards received by him, Mr. Raju was awarded the "Corporate Citizen of the Year" award during the Asian Business Leadership Summit held in Hong Kong in 2002. He was also named as the "IT Man of the Year" by Dataquest in 2001 and was conferred the "Entrepreneur of the Year Award (Services)" by Ernst & Young, India in 2000. Mr. Ramalinga Raju holds a Master of Business Administration degree from Ohio University and has attended the Advanced Management Program conducted by Harvard Business School.

B. Rama Raju has been on our board of directors since our inception in 1987. He became the Managing Director and Chief Executive Officer in 1991. Prior to joining our company, he was a director of Maytas Infra Limited. Mr. Rama Raju also sits on the board of directors of Nipuna, Maytas Infra Limited and Satyam Venture Engineering Services Private Limited. Mr. Rama Raju holds a Master of Economics degree from Loyola College, Chennai and a Master of Business Administration degree from Loredo State University, Texas. He has also attended the Advanced Management Program conducted by Harvard Business School. Mr. Rama Raju is the younger brother of Mr. Ramalinga Raju, the Chairman of the company.

V. P. Rama Rao was appointed to our board of directors in July 1991 as an independent director. Before joining our company, he was with the Indian Government's Administrative Service and was the Chief Secretary to the government of Andhra Pradesh. He was closely involved with the industrial development of Andhra Pradesh for over two decades. He also worked as the Chief of Industrial Infrastructure Corporation. Mr. Rama Rao holds a Post-Graduate degree in Arts, a Bachelor degree in Civil Law and a Post-Graduate diploma in Technical Science and Industrial Administration, from Manchester University, England. Mr. Rama Rao also sits on the board of directors of VBC Ferro Alloys Limited, NCC Finance Limited and Konaseema EPS Oakwell Power Limited.

Dr. Mangalam Srinivasan was appointed to our board of directors in July 1991 as an independent director. She is a management consultant and a visiting professor at several U.S. universities. Dr. Mangalam Srinivasan holds a Ph.D. in technology from George Washington University, a Master of Business Administration degree (international finance and organization) from the University of Hawaii, a Master of Arts degree (English) from Presidency College, Madras University and was an Advanced Special Scholar (astronomy and physics) at the University of Maryland. Currently, Dr. Mangalam Srinivasan is an advisor to the Kennedy School of Government, Harvard University, Massachusetts where she is a distinguished fellow.

Professor Krishna G. Palepu was appointed to our board of directors on January 23, 2003 as an independent director. Professor Palepu is the Ross Graham Walker Professor of Business Administration at the Harvard Business School, where he also holds the title of Senior Associate Dean, Director of Research. Professor Palepu joined the Harvard Business School faculty in 1983. He graduated with a Masters degree in Physics from Andhra University and holds a Master of Business Administration degree from the Indian Institute of Management, and a Ph.D. from the Massachusetts Institute of Technology. Professor Palepu serves as consultant to a wide variety of businesses, and is on the boards of Dr. Reddy's Laboratories Limited in India and Brooks Automation.

Vinod K. Dham was appointed to our board of directors on January 23, 2003 as an independent director. Mr. Dham is Vice President and General Manager, Carrier Access Business Unit, of Broadcom Corporation. Prior to this, he was the Chairman, President and Chief Executive Officer of Silicon Spice Inc., which was acquired by Broadcom Corporation. Mr. Dham obtained his Bachelor's degree in Electrical Engineering (electronics) from the University of Delhi and received his Master degree in Electrical Engineering (solid state) from the University of Cincinnati. He held the positions of Vice President of Intel Corporation's Microprocessor Products Group and General Manager of the Pentium Processor Division. Mr. Dham is also a director of NewPath Ventures LLC, Hellosoft Inc., Sasken Communication Technologies Limited, Nevis Networks Inc., Telsima Inc, Insilica and Montalvo Systems.

M Rammohan Rao, Dean, Indian School of Business was appointed to our board of directors on July 29, 2005 as an independent director. Mr. Rao is recognized internationally for his research and teaching capabilities. As a Research Fellow, Mr. Rao was associated with the International Institute of Management, Science Center, Berlin, Germany, and the International Center for Management Sciences, Center for Operations Research and Econometrics, University Catholique de Louvain, Belgium. He has also conducted research at the Operations Research Group, United States Steel Corporation, Applied Research Laboratory, Monroeville, Pennsylvania. Mr. Rao has a PhD in

Industrial Administration from the Graduate School of Industrial Administration, Carnegie-Mellon University, Pittsburgh, Pennsylvania, USA. He has completed two Masters Degrees - Master of Science in Industrial Administration, Carnegie-Mellon University, Pittsburgh, Pennsylvania, and Master of Engineering (Industrial), Cornell University, New York. Mr. Rao has won several prestigious awards conferred on him by leading institutions across the world. Mr. Rao also sits on the Boards of Krishna Fabrications Pvt. Ltd., MosChip Semiconductor Technology Ltd. and APIDC Venture Capital.

Anand T.R. has been our Director and Senior Vice President of the Telecom, Infrastructure, Media & Entertainment, and Semiconductors (TIMES) business unit since April 2004. Prior to this, he was the Chief Operating Officer of the Telecom Business Unit. During 2001 — 2002 he was the chairperson of Satyam, Japan. Prior to joining our company, he was the Country General Manager - e-Business and Cross Industry Solutions at IBM Global Services, India. He started his career at Tata Consultancy Services and later worked at the Groupe Bull subsidiary in India for eleven years. Mr. Anand holds a bachelor degree in electronics engineering from the University Visvesvaraya College of Engineering, Bangalore, and a post- graduate diploma in Business Management (with specialization in Information Systems) from the Indian Institute of Management, Ahmedabad.

Jayaraman G. has been our Sr.Vice President, Corporate Governance and Company Secretary since April 2005. From March 2000 to September 2000 he was Assistant Vice President and Company Secretary and from October 2000 to April 2005 he was Vice President – Corporate Affairs and Company Secretary. Prior to joining our company, he was with Samrat Spinner Limited as Director (Finance) and Company Secretary. Mr. Jayaraman holds a Bachelor of Science degree from University of Madras, is a fellow member of the Institute of Chartered Accountants of India and the Institute of Cost and Works Accountants of India. He is also an associate member of the Institute of Company Secretaries of India.

Joseph Abraham was appointed as our Director and Senior Vice President, Vertical Business Unit — Retail in November 2000 after being the Senior Vice President, Strategic Business Unit 7 since 1998. Prior to joining our company, he was with Tata Consultancy Services Limited as Executive Vice President, Human Resources. Mr. Abraham holds a Master of Personnel Management and Industrial Relations degree from Tata Institute of Social Services and a Differential Test Battery Certificate from Morrisby Institute, United Kingdom.

Keshab Panda has been our Director and Senior Vice President — Head of Satyam Europe Operations since April 2004. He is also the Chief Executive Officer of Satyam Technologies Inc, a wholly owned subsidiary of Satyam and additionally manages multiple strategic relationships with our key customers as well. Prior to this, as a veteran of the Indian Space Research Organization (ISRO) Satellite Centre, he played an important role with the design of India’s indigenous communications satellite, INSAT II Satellite and the Defence Research Development Organization (DRDO) in various capacities. He is also a director of Satyam Technologies, Inc.

Manish Sukhlal Mehta has been our Director and Senior Vice President — Horizontal Competency Unit — SAP, Engineering & Spatial Services, since April 2004. Prior to his current role, he was responsible for building our automotive practice. Mr. Mehta also played a key role in establishing the Manufacturing Business Unit in Satyam. He also established a Strategic Business Unit for Banking & Finance and managed it successfully as a profit center. Prior to joining our company, Mr. Mehta was heading the business operations of Datamatics in Chennai. He began his career with Tata Consultancy Services Limited, where he served for 15 years in various positions. Mr. Mehta holds a Masters in Science (Hons.) — Chemistry, and a Masters in Engineering — Industrial Development from the Birla Institute of Technology & Science (BITS), Pilani. He is also a director of Satyam Computer Services (Shanghai) Co. Limited.

Mohan Eddy F. S. has been our Director, Internal Information Systems and Platinum Processes Group since 2003. He was the Director, Horizontal Business Unit — Collaborative Enterprise Solutions since November 2000 and a Director, Strategic Business Unit of Satyam Renaissance Consulting from 1995. Mr. Mohan Eddy holds a Bachelor of Engineering degree and a Post-Graduate diploma in Management from the Indian Institute of Management, Calcutta.

Murty A. S. has been our Director and Senior Vice President, Global Human Resources since November 2000. He was Senior Vice President, Human Resources in 1999 and Senior Vice President of Strategic Business Unit I since 1994. Before joining our company, Mr. Murty was with

Tata Consulting Services Limited for over 12 years. Mr. Murty holds a Master of Engineering degree from the Indian Institute of Science, Bangalore.

Prabhat G. B. has been our Director, Horizontal Business Unit — Business Solution since November 2000. He is responsible for leading our business into the higher-end consulting service offerings. He was co-founder and Director, Strategic Business Unit of Satyam Renaissance Consulting from 1995, prior to which he worked for nearly 10 years for the TVS Group. Mr. Prabhat holds a Master of Science (Computer Sciences) degree from the Indian Institute of Technology, Chennai.

Ram Mynampati has been our President, Commercial and Healthcare Businesses since October 2002. He was our Executive Vice President and Chief Operating Officer, Vertical Business Unit — Insurance, Banking and Financial Services, Healthcare since November 2000 and Executive Vice President, Strategic Business Units 1, 2 and 4 in 1999. He also provides executive leadership to our customer relationship with General Electric and oversees our industry groups which service the U.S. Government. Prior to joining Satyam, Mr. Mynampati has held key positions in large, multinational organizations, such as UNISYS and Southern California Gas Company. Mr. Mynampati holds a Master of Computer Science degree from California State University. He is the Chairman of Citisoft Plc. and Satyam Technologies, Inc. and also a director of Satyam Venture Engineering Services Pvt. Ltd.

Ravi Shanker Bommakanti has been our Director and Senior Vice President of Insurance Business Unit since April, 2004. Prior to this, he was responsible for the GE Strategic Relationship unit of Satyam for five years. Mr. Bommakanti was also responsible for managing the Dun and Bradstreet relationship for Satyam and in developing client-server competencies in Satyam. Prior to joining our company, Mr. Bommakanti worked with Citicorp in United States and India and Bankers Trust in Australia. Mr. Bommakanti is a Chartered Accountant with experience in Financial Services and Accounting.

Shailesh Shah has been our Director and Senior Vice President — Corporate Strategy since September, 2004. Mr. Shah's last employment was with Watson Wyatt (India), as its Managing Director. Spanning his 20 year career, Mr. Shah has worked with organizations like Price Waterhouse, The Strategy Consulting Group and the Hay Group. Mr. Shah holds a Bachelors degree in Mechanical Engineering from Bangalore University, a Masters in Science Industrial Engineering & Operations Research from Syracuse University and a Master of Business Administration degree from Drexel University, United States. He is also a director of Citisoft Plc.

Srinivas V. has been our Director, Senior Vice President and Chief Financial Officer since October 2002. He was our Senior Vice President and Chief Financial Officer since November 2000 and as Vice President and Chief Financial Officer from 1998. Mr. Srinivas is a fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He is also an associate member of the Institute of Cost and Works Accountants of India. In addition, he holds a Bachelor of Law degree and a Master of Commerce degree from Osmania University, Hyderabad. He is also a director of Nipuna and Satyam Computer Services (Shanghai) Co. Limited..

Subramanian D. has been our Director since October 2002. He is also Director and Senior Vice President — Manufacturing, Automotive, Energy, Oil and Gas and Utilities since April 2004. He was Senior Vice President — SAP — Manufacturing and Engineering practices since October 2002 and Vice President — SAP since joining our company in 1999. Mr. Subramanian graduated with a Master of Business Administration degree from Annamalai University, Tamil Nadu and is an associate member of the Institute of Cost and Works Accountants of India. He is also a director of CA Satyam ASP Pvt Ltd.

Vijay Prasad Boddupalli has been our Director and Senior Vice President — EABIS (Enterprise Applications and Business Intelligence Solutions) business unit since April 2004. Prior to joining our company in 1996 Mr. Boddupalli worked in the United States and Australia. He started his career with Tata Consulting Services Limited, during which time he worked with American Express in the United Kingdom, Slavenburg's bank in the Netherlands, New Zealand Post Office in New Zealand. Mr. Boddupalli has a Bachelor degree of Technology in Electronics & Communications Engineering, from Regional Engineering College, Warangal and a Masters degree of Technology in Computer Science from Indian Institute of Technology, Bombay. He is also a director of CA Satyam ASP Pvt Ltd and Knowledge Dynamics Pvt. Ltd.

Virender Aggarwal is our Director and Senior Vice President — APAC-MEIA territories (Asia Pacific, Middle East, India and Africa) since April, 2004. He is responsible for management of business and delivery operations, which include the development centers across China, Australia, Malaysia, Singapore, Middle East and Japan. Prior to joining Satyam, Mr. Aggarwal was the head of a large Indian Software and Training Company operating out of Singapore. Mr. Aggarwal has completed his Masters in Management from BITS, Pilani and has more than 18 years' experience, including eight years in general management positions. Mr. Aggarwal's other assignments included working for management consultancy firm — AF Ferguson and Co in India, and various positions of responsibility in other organizations in the field of IT consulting. He is also a director of Satyam Computer Services (Shanghai) Co. Limited and Knowledge Dynamics Pvt. Ltd.

V Murali is our Director and Senior Vice President — Commercial and Contract Management. He is responsible for creating and maintaining world-class facilities both in terms of physical and IT infrastructure that meets the growing demand of Satyam's global operations. Mr.Murali joined Satyam in May 1998 as Head of Finance for one of the then Subsidiary companies of Satyam, and moved to Satyam Computer Services Limited in 2000. Mr.Murali has a total experience of 20 years in the industry handled various roles and responsibilities during his tenure. Mr.Murali is also Director of Satyam Venture Engineering Services Private Limited and CA Satyam ASP Pvt. Ltd. He is a member of Infrastructure Panel constituted by Confederation of Indian Industry's A.P. Council. Mr. Murali is a Chartered Accountant, Cost and Works Accountant and Company Secretary and holds a Post Graduate Diploma in Business Management.

Compensation

Executive Compensation

Under the Companies Act, our shareholders must approve the salary, bonus and benefits of all associate directors at an annual general meeting of shareholders. At our general meeting held on July 23, 2004, our shareholders approved the employment terms and conditions for each of our associate directors including the monthly salary, benefits, medical reimbursement and pension fund contributions. These terms are made for a five-year period. The employment terms of Mr. B. Ramalinga Raju, the chairman of our board of directors, and Mr. Rama Raju, our managing director and chief executive officer, were renewed for a period of five years with effect from April 1, 2004.

At our general meeting held on July 25, 2003, our shareholders approved the payment of remuneration to our non-executive directors by way of commission. There are no loans to, or guarantees in favor of, directors or key management personnel other than interest-bearing housing loans provided to certain key management personnel which have not been made, modified or renewed after July 30, 2002.

The following table sets forth all compensation awarded to, earned by or paid to Mr. B. Rama Raju, our managing director and chief executive officer, during fiscal 2006 for services rendered in all capacities to us. Mr. Raju was appointed as managing director and chief executive officer of our company in 1991. With the exception of four executive officers who are serving overseas, none of our other executive officers earned a combined salary and bonus in excess of $100,000 during any of the last three fiscal years. With respect to the four key managerial personnel, we have not provided individual compensation information because their compensation is attributed predominantly to their overseas assignments, and if they were based in India, their individual compensation would not have exceeded $100,000. In addition, none of our non-executive officers received compensation from us of greater than $100,000 during fiscal 2006, other than Mr. Krishna G Palepu who received payments towards professional fees by us of $155,000 during fiscal 2006.The total remuneration received by our executive officers and directors for their services to us for the fiscal year ended March 31, 2006 was $4.3 million. The total remuneration and the amounts in the following table are in dollars based on the noon buying rate of Rs. 44.48 per dollar on March 31, 2006.

Annual Compensation

Name and Principal Position	Salary	Bonus	Others [(1)]
B. Rama Raju, Managing Director and Chief Executive Officer	$83,849	—	$9,856

(1) Includes membership fees and housing allowance.

Option Grants

During the fiscal year ended March 31, 2006, we granted options to our key managerial personnel to purchase 326,541 shares under our ASOP B plan and 103,340 ADSs under our ASOP ADS plan. The expiration dates for these options granted under ASOP B and ASOP ADS ranged from April 23, 2010 to April 01, 2013. The exercise prices for the options granted under ASOP B, ranged from Rs512.10 to Rs. 587.45 and the exercise price for the options granted under ASOP ADS was $22.52 to $31.60.

Employee Benefit Plans

We have instituted an incentive plan to reward associates' performance through cash payments and, since September 1999, stock options. Associate performance is measured by reference to the associate's contribution to (1) profits and his or her tenure of service, (2) organizational development and (3) customer satisfaction. An associate must score a minimum number of points in each performance criterion to be eligible for a reward. Since the introduction of stock options, cash bonuses have decreased.

Our ASOP and ESOP Plans

We have three associate stock option plans: our Associate Stock Option Plan, or ASOP, established in May 1998; our Associated Stock Option Plan B, or ASOP B, established in May 1999; and our Associated Stock Option Plan ADS, or ASOP ADS, established in May 1999. We also have the Employee Stock Option Plan, or ESOP, established by Nipuna in April 2004.

ASOP

The aspects of the ASOP differ significantly from typical U.S. stock option plans. We established a controlled associate welfare trust called the Satyam Associate Trust to administer the ASOP and issued warrants to purchase 13.0 million equity shares of Satyam. To give our associates the benefit of our stock split in September 1999, the Trust exercised its warrants to acquire our shares before the split using the proceeds from bank loans. The Trust periodically grants eligible associates warrants to purchase equity shares held by or reserved for issuance by the Trust. The warrants may vest immediately or may vest over a period ranging from two to three years, depending on the associate's length of service and performance. Upon vesting, employees have 30 days in which to exercise their warrants. Each warrant issued by the Trust currently entitles the associate holding the warrant to purchase 10 equity shares of our company at a price of Rs.450 ($10.4), plus an interest component associated with the loan the Trust assumed, for the conversion of the warrants it held. The interest component is computed based on a fixed vesting period and a fixed interest rate. This exercise price has been substantially below the market price of our shares at the time the warrants have been granted by the Trust. Neither we nor the Trust may increase the exercise price of the warrants. As of March 31, 2006, warrants (net of forfeited and cancelled) to purchase 11,849,860 equity shares have been granted to associates pursuant to ASOP, and warrants to purchase 11,796,560 equity shares have been exercised.

ASOP B

The ASOP B is substantially similar to the ASOP and is administered by a committee of our board of directors. The SEBI guidelines define the exercise price as the price payable by the employee for exercising the option granted to him in pursuance of the stock option plan. In determining the exercise price, we opted for the higher of the following: (a) the closing price of the shares on the date of the meeting of the Compensation Committee convened to grant the stock options, on the stock exchange where highest volumes are traded; or (b) the average of the two weeks high and low price of the share preceding the date of grant of option on the stock exchange on which the shares of the company are listed. As of March 31, 2006, options (net of forfeited and cancelled) to purchase 31,381,633 equity shares have been granted to associates under this plan and warrants to purchase 8,578,939 equity shares have been exercised.

ASOP ADS

Under ASOP ADS, we periodically issue grants to eligible associates to purchase ADSs. The warrants issued under ASOP ADS can be granted at a price per option which is not less than 90% of the value of one ADS as reported on NYSE (fair market value) on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the day of grant. As of March 31, 2006, warrants (net of forfeited and cancelled) for 1,660,971 ADSs representing 3,321,942 equity shares have been granted to associates under the ASOP ADS, and warrants to purchase 665,300 ADSs representing 1,330,600 equity shares have been exercised.

In October 2005, our compensation committee approved amendments to our associate stock option plans (ASOP B and ASOP ADS) to allow for continuation of vesting of options upon retirement and accelerated vesting upon death. These amendments are applicable retrospectively for ASOP-B and prospectively for ASOP-ADS. Refer to Exhibits 4.2 and 4.3 to this Annual Report for a copy of the amended and restated plans.

Nipuna ESOP

Under the Nipuna ESOP options are granted at fair value to associates as determined by an independent valuer as of the date of grant. The options granted under the Nipuna ESOP vest in three equal tranches at the end of the second, third and fourth year from the date of grant. As of March 31, 2006, options (net of forfeited and cancelled) for 1,215,506 equity shares have been granted to associates under the Nipuna ESOP, and no options to purchase equity shares have been exercised.

Board Practices

Board Composition

Our Articles of Association set the minimum number of directors at three and the maximum number of directors at 12. We currently have seven directors. The Companies Act and our Articles of Association require the following:

- at least two-thirds of our directors shall be subject to retirement; and
- in any given year, at least one-third of these directors who are subject to retirement shall retire and be eligible for re-election at the annual meeting of our shareholders.

B. Ramalinga Raju and B. Rama Raju are permanent directors and are not subject to retirement by rotation. Dr. Managalam Srinivasan, Krishna G. Palepu, Vinod K. Dham, V.P. Rama Rao and M Rammohan Rao are the directors who are scheduled to retire by rotation.

Board Committees

The audit committee of board of directors reviews, acts on and reports to the board of directors with respect to various auditing and accounting matters, including the recommendation of our independent registered public accounting firm, the scope of the annual audits, fees to be paid to the independent registered public accounting firm, the adequacy and effectiveness of the accounting and financial controls of our company and our accounting practices. The members of the audit committee are V.P. Rama Rao, Dr. Mangalam Srinivasan and M Rammohan Rao each of whom is an independent director.

The compensation committee of the board of directors determines the salaries and benefits for our executive directors and the stock options for all associates. The members of the compensation committee are V.P. Rama Rao, Dr. Mangalam Srinivasan, Vinod K Dham and M. Rammohan Rao each of whom is an independent director.

The investors' grievance committee of the board of directors formed in January 2001 focuses on strengthening investor relations and addressing investors' concerns. The members of the committee are V.P. Rama Rao, who is an independent director, and B. Rama Raju, Managing Director and CEO.

Director Compensation

Our Articles of Association provides that each of our directors shall receive a sitting fee not exceeding the maximum amount allowed under the Companies Act. Currently, our directors receive Rs.10,000 for every board or committee meeting. In addition, Independent directors receive compensation by way of commission for their service on our board of directors. Directors are reimbursed for travel and out-of-pocket expenses in connection with their attendance at board and committee meetings. In addition, special remuneration was paid to Mr.Krishna G Palepu for his professional services in his capacity as a non-executive director of our company in the amount of $155,000 in fiscal 2006.

Employment, Severance and Other Agreements

Our Articles of Association provides that directors are appointed by the shareholders by resolutions passed at general meetings; however, the board of directors has the power to appoint additional directors for a period up to the date of the next annual general meeting. Key managerial personnel are appointed by the management. There are no severance agreements with our key managerial personnel.

Employees

For a description of our employees, see "Item 4. Information on the Company – Employees."

Share Ownership

The following table sets forth information with respect to the beneficial ownership of our equity shares as of March 31, 2006 by each of our directors and our chief executive officer and all of our directors and executive officers as a group. The table gives effect to equity shares issuable within 60 days of March 31, 2006 upon the exercise of all options and other rights beneficially owned by the indicated shareholders on that date. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to equity shares. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all equity shares beneficially owned.

	Equity Shares Beneficially Owned	
Beneficial Owner	Number	Percent
B. Rama Raju	14,593,000(1)	4.49
B. Ramalinga Raju	13,272,000(2)	4.09
V.P. Rama Rao	—	—
Dr. Mangalam Srinivasan	—	—
Krishna G. Palepu	—	—
Vinod K Dham	—	—
M Rammohan Rao	—	—
All directors and executive officers as a group	28,593,231	8.88

(1) Includes 3,874,000 equity shares held by B. Rama Raju's wife, B. Radha Raju. B. Rama Raju disclaims beneficial ownership of any equity shares held by B. Radha Raju.

(2) Includes 4,047,000 equity shares held by B. Ramalinga Raju's wife, B. Nandini Raju. B. Ramalinga Raju disclaims beneficial ownership of any equity shares held by B. Nandini Raju.

Other than B. Rama Raju and B Ramalinga Raju, none of our directors or executive officers beneficially owned more than 1% of our equity shares as of March 31, 2006.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Share Ownership

No person or group of affiliated persons who is known to us to beneficially own 5% or more of our equity shares as of March 31, 2006.

As of March 31, 2006, 575,231 of our equity shares, representing 0.18% of our outstanding shares, were held by a total of 243 holders of record with addresses in the United States. As of March 31, 2006, we have issued 32,340,300 ADSs (representing 64,680,600 equity shares) and which represent 19.9% of our outstanding equity shares and which are held by approximately 13 beneficial holders.

Related Party Transactions

In October, 1999, we entered into a joint venture with Venture Global Engineering LLC, USA. The joint venture company, called Satyam Venture Engineering Services Private Limited or Satyam Venture, formed in January 2000, provides engineering services and computer services to the automotive industry. We hold a 50% stake in the joint venture company. For fiscal 2006, 2005 and fiscal 2004, we provided infrastructure and other services to Satyam Venture, which amounted to $0.5 million, $0.3 million and $1.2 million respectively. For fiscal 2006, 2005 and fiscal 2004, we received services from Satyam Venture, which amounted to $8.6 million, $7.1 million and $5.4 million respectively. As of March 31, 2006 and 2005, we owe $1.8 million and $3.1 million to Satyam Venture.

During fiscal 2006 and 2005, Sify rendered services to us aggregating to $2.9 million and $1.4 million, on terms which were no less favorable to us than could have been obtained from independent third parties. During fiscal 2006, Satyam sold its entire 31.61% stake in Sify

ITEM 8. FINANCIAL INFORMATION

Financial Statements

We have elected to provide financial statements pursuant to Item 18 of Form 20-F. No significant change has occurred since the date of our annual financial statements for fiscal 2006.

Legal Proceedings

As of the date of this document, we are not a party to any legal proceedings that could reasonably be expected to seriously harm our company.

Satyam Computer Services had filed a request for arbitration with the London Court of International Arbitration (“LCIA”) naming Venture Global Engineering LLC, USA (“VGE”) as respondent. The Arbitration concerned a dispute between Satyam Computer Services and VGE in connection with their joint venture Satyam Venture Engineering Services Private Limited (“SVES”). The LCIA Arbitrator issued his Final Award on April 3, 2006 in favour of Satyam Computer Services. Satyam Computer Services has filed a petition to recognize and enforce the Award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois. See note 23 to our fiscal 2006 financial statements included in this Annual Report.

Dividends

Although the amount varies, it is customary for public companies in India to pay cash dividends. Under Indian law, a corporation pays dividends upon a recommendation by the board of directors and approval by a majority of the shareholders, who have the right to decrease but not increase the amount of the dividend recommended, by the board of directors. However, approval of shareholders is not required for distribution of Interim dividend. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. We paid out dividends of Rs1,820.5 million ($ 41.3 million), Rs. 1,722.7 million ($37.6 million) and Rs. 1,207.0 million ($26.2 million) in fiscal 2006, fiscal 2005 and fiscal 2004 respectively. These dividends include interim dividends for the current fiscal year and dividends paid with respect to previous fiscal year. Under Indian law, dividends are declared with respect to the shares outstanding during the prior fiscal year and are paid in the subsequent fiscal year after approval by shareholders in the Annual General Meeting. The dividend is paid on the outstanding shares as at the end of fiscal year and is prorated for shares issued during the fiscal year to take into account the amount of time such shares have been issued. Although, we have no current intention to discontinue dividend payments, we cannot assure you that any future dividends will be declared or paid or that the amount thereof will not be decreased.

Owners of ADSs will be entitled to receive dividends payable in respect of the equity shares represented by such ADSs. Cash dividends in respect of the equity shares represented by the ADSs will be paid to the depositary in rupees and, will generally be converted by the depositary into U.S. dollars and distributed, net of depositary fees and expenses, to the holders of such ADSs.

ITEM 9. THE OFFER AND LISTING

Trading Markets

Our equity shares are traded in India on Bombay Stock Exchange Limited and the National Stock Exchange. Our ADSs evidenced by American Depositary Receipts, or ADRs, are traded in the United States on the New York Stock Exchange. Each ADS represents two equity shares. The ADRs evidencing ADSs were issued by our depositary, Citibank, N.A., pursuant to a Deposit Agreement.

The number of our outstanding equity shares (including the underlying shares for ADSs) as of

March, 31, 2006 was 324,449,539. As of March 31, 2006, there were 32,340,300 ADSs outstanding (representing 64,680,600 equity shares).

Price History

The information presented in the table below represents, for the periods indicated: (1) the reported high and low sales prices quoted in Indian rupees for the equity shares on the BSE; and (2) the imputed high and low sales prices for the equity shares based on such high and low sales prices, translated into U.S. dollars based on the noon buying rate on the last date of each period presented.

Annual high and low market prices

	Rupee price per equity share(1)		U.S. dollar price per equity share	
Fiscal year ended March 31,(2)	**High**	**Low**	**High**	**Low**
2002	331.15	111.00	6.78	2.27
2003	291.85	175.10	6.14	3.68
2004	391.00	127.30	9.01	2.93
2005	442.00	250.00	10.10	5.70
2006	862.00	364.40	19.38	8.38
2007(though April 21, 2006)	890.00	755.10	20.01	16.98
Fiscal 2005:				
First Quarter	338.00	250.00	7.35	5.44
Second Quarter	394.00	293.55	8.58	6.39
Third Quarter	442.00	352.60	10.21	8.15
Fourth Quarter	424.30	335.00	9.73	7.68
Fiscal 2006:				
First Quarter	517.45	364.40	11.89	8.38
Second Quarter	566.00	474.40	12.88	10.80
Third Quarter	741.00	543.00	16.48	12.08
Fourth Quarter	862.00	713.00	19.38	16.03
Fiscal 2007:				
First Quarter (Through April 21, 2006)				
Monthly prices:				
October 2005	616.35	543.00	13.67	12.04
November 2005	679.05	604.00	14.80	13.17
December 2005	741.00	649.05	16.48	14.44
January 2006	775.00	713.00	17.63	16.22
February 2006	790.00	719.75	17.87	16.28
March 2006	862.00	764.10	19.38	17.18
April 2006(Though April 21, 2006)	890.00	755.10	20.01	16.98

(1) Data derived from the BSE website. The prices and volumes quoted on the NSE may be different.

(2) Our ADSs commenced trading on the New York Stock Exchange on May 15, 2001, at an initial offering price of $9.71 per ADS. The tables below set forth, for the periods indicated, high and low trading prices for our ADS.

	Price per ADS	
	High	**Low**
Fiscal		
2002 (since May 15, 2001)	$14.74	$ 5.05
2003	13.50	7.93
2004	35.35	7.25
2005	28.50	16.00
2006	24.23	21.00
2007 (through April 21, 2006)	44.50	35.47
Fiscal 2005		
First Quarter	23.96	16.00
Second Quarter	24.85	17.06
Third Quarter	28.50	23.06
Fourth Quarter	26.25	20.75
Fiscal 2006		
First Quarter	26.77	21.00
Second Quarter	30.61	25.75
Third Quarter	37.44	28.25
Fourth Quarter	43.90	36.60
Monthly prices		
September 2005	30.59	27.55
October 2005	34.75	28.25
November 2005	36.55	34.19
December 2005	37.44	33.00
January 2006	40.40	36.60
February 2006	42.07	37.00
March 2006	43.90	37.62
April 2006(through April 21,2006)	44.50	35.47

ITEM 10. ADDITIONAL INFORMATION

Corporate Governance

We are subject to the NYSE listing standards, although, because we are a foreign private issuer, those standards are considerably different from those applied to U.S. companies. Under the NYSE rules, we need only (i) establish an independent audit committee that has specified responsibilities as described in the following table; (ii) provide prompt certification by its chief executive officer of any material non-compliance with any corporate governance rules; (iii) provide periodic written affirmations to the NYSE with respect to our corporate governance practices; and (iv) provide a brief description of significant differences between our corporate governance practices and those followed by U.S. companies.

The following table compares our principal corporate governance practices to those required of U.S. companies.

Standard for U.S. Listed Companies	Satyam Computer Services Limited's Practice
Director Independence	
• A majority of the board must consist of independent directors.	• Four of our seven directors, namely Mr. VP Rama Rao, Dr. Mangalam Srinivasan, Mr. Vinod K Dham and Mr. M Rammohan Rao, are independent within the meaning of the NYSE standards.
Independence is defined by various criteria including the absence of a material relationship between the director and the listed company. For example, directors who are employees, are immediate family of the chief executive officer or receive over $100,000 per year in direct compensation from the listed company are not independent. Directors who are employees of or otherwise affiliated through immediate family with the listed company's independent auditor are also not independent.	However, at our April 21, 2006 meeting of our Board of Directors, our directors have proposed that Mr. Ram Mynampati, one of our key management personnel, to be nominated to the board of directors, subject to shareholder approval at the forthcoming annual general meeting. Mr. Ram Mynampati would not qualify as an independent director as he is an employee of our Company. If this appointment is approved, our Board will comprise eight directors, four of them will be independent and four will be non-independent. This 50:50 split is permitted under corporate governance in India.
• The non-management directors of each company must meet at regularly scheduled executive sessions without management.	• Our non-management directors do not meet periodically without management directors.
Audit Committee	
• Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Securities Exchange Act. The rule requires that the audit committee (i) be comprised entirely of independent directors; (ii) be directly responsible for the appointment, compensation and oversight of the independent auditor; (iii) adopt procedures for the receipt and treatment of complaints with respect to accounting	• We have an audit committee which meets all of the requirements of Rule 10A-3.

Standard for U.S. Listed Companies	Satyam Computer Services Limited's Practice
and auditing issues; (iv) be authorized to engage independent counsel and other advisors it deems necessary in performing its duties; and (v) be given sufficient funding by the board of directors to compensate the independent auditors and other advisors as well as for the payment of ordinary administrative expenses incurred by the committee.	
• The audit committee must consist of at least three members, and each member must be independent within the meaning established by the NYSE.	• Our audit committee consists of three members and all the members are independent under the NYSE's rules.
• The audit committee must have a written charter that addresses the committee's purpose and responsibilities. At a minimum, the committee's purpose must be to assist the board in the oversight of the integrity of the company's financial statements, the company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence and the performance of the company's internal audit function and independent auditors. The audit committee is also required to review the independent auditing firm's annual report, describing the firm's internal quality control procedures, any material issues raised by the most recent internal quality control review or peer review of the firm and any steps taken to address such issues. The audit committee is also to assess the auditor's independence by reviewing all relationships between the company and its auditor. It must establish the company's hiring guidelines for employees and former employees of the independent auditor. The committee must also discuss the company's annual audited financial statements and quarterly financial statements with management and the independent auditors, the company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, and policies with respect to risk assessment and risk management. It must also meet periodically with the internal auditors and the board of directors.	• Our audit committee has a charter outlining the committee's purpose and responsibilities.

Standard for U.S. Listed Companies	Satyam Computer Services Limited's Practice
• Each listed company must have disclosed whether their board of directors has identified an Audit Committee Financial Expert, and if not the reasons why the board has not done so.	• We do not have an individual serving on its audit committee as an "Audit Committee Financial Expert," as defined in applicable rules of the Securities and Exchange Commission. This is because our board of directors has determined that no individual audit committee member possesses all of the attributes required by the definition of "Audit Committee Financial Expert."
• Each listed company must have an internal audit function.	• We have a separate department for its internal audit function.
Compensation Committee	
• Listed companies must have a compensation committee composed entirely of independent board members as defined by the NYSE listing standards.	• Our compensation committee has four members, each of whom is independent within the meaning of the NYSE standards.
• The committee must have a written charter that addresses its purpose and responsibilities. These responsibilities include (i) reviewing and approving corporate goals and objectives relevant to CEO compensation; (ii) evaluating CEO performance and compensation in light of such goals and objectives for the CEO; (iii) based on such evaluation, reviewing and approving CEO compensation levels; (iv) recommending to the board non-CEO compensation, incentive compensation plans and equity-based plans; and (v) producing a report on executive compensation as required by the Securities and Exchange Commission to be included in the company's annual proxy statement or annual report. The committee must also conduct an annual performance self-evaluation.	• Our compensation committee reviews among other things our general compensation structure, and reviews and recommends the compensation and benefits of directors and the chief executive officer, subject to ratification by the Board of Directors.
Nominating/Corporate Governance Committee	
• Listed companies must have a nominating/corporate governance committee composed entirely of independent board members. The committee must have a written charter that addresses its purpose and responsibilities, which include (i) identifying qualified individuals to become board member; (ii) selecting, or recommending that the board select, the	• We do not have a nominating/corporate governance committee.

Standard for U.S. Listed Companies	Satyam Computer Services Limited's Practice
director nominees for the next annual meeting of shareholders; (iii) developing and recommending to the board a set of corporate governance principles applicable to the company; (iv) overseeing the evaluation of the board and management; and (v) conducting an annual performance evaluation of the committee.	
Equity-Compensation Plans	
• Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exceptions.	• The Company is in compliance with this requirement.
Corporate Governance Guidelines	
• Listed companies must adopt and disclose corporate governance guidelines.	• We are is fully compliant with Clause 49 of the listing agreement of Indian Stock Exchanges, with regard to corporate governance guidelines. We publish a report on corporate governance in annual report which is distributed to ourdomestic shareholders and ADS holders annually.
Code of Business Conduct and Ethics	
• All listed companies, U.S. and foreign, must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.	• We have adopted a Code of Business Conduct and Ethics Policy, which is available at www.satyam.com.

Memorandum and Articles of Association

The following are summaries of our Articles of Association and Memorandum of Association and the Companies Act which govern our affairs. Our Articles of Association provides that the regulations contained in Table "A" of the Companies Act apply to our company, so long as the regulations do not conflict with the provisions of our Articles of Association. We have filed complete copies of our Memorandum of Association and Articles of Association, as well as Table "A" of the Companies Act, as exhibits to our registration statement on Form F-1 filed with the Securities and Exchange Commission on May 7, 2001 (Registration No. 333-13464).

Objects and Purposes

Under our Memorandum of Association, the main objectives of our company include, but are not limited to:

- manufacturing and selling computer systems, peripherals, accessories, consumables and other computer products;
- designing and developing computer systems and applications software for our own use and for sale and designing and developing systems and applications software for or on behalf of manufacturers, owners and users of computer systems and digital or electronic equipment; and
- providing electronic data processing centers, word processing, software consultancy, system studies, management consultancy, feasibility studies and computer training.

Board of Directors

At each annual general meeting at least, one-third of our directors must retire from office by rotation. A retiring director is eligible for re-election and the directors to retire every year are those who have been longest in office since their last re-election or appointment. No shares are required to be held by a director for qualification as a director. In addition, save in respect of the following managerial personnel, there are no age-limit requirements for serving on our board of directors. Under the Companies Act, no person under the age of 25 or over the age of 70 is eligible for appointment as a managing director or a whole-time director or a manager of our Company, provided that persons under the age of 25 or over age 70 may be appointed with either the approval of our shareholders by a special resolution or with the approval of the Central Government. Under the Companies Act, our directors must refrain from participating in discussions and voting on any matters in which they are interested party. In addition, directors are also required to disclose such interests, if any, at meetings of the board of directors.

Managerial Remuneration

Under the Companies Act, the remuneration payable to our directors is to be determined either by the articles of the company or by an ordinary resolution passed by the company in the general meeting, unless the articles require a special resolution for the same.

As a public company, the total managerial remuneration in any year cannot exceed 11 per cent of our profits in that year. In addition, the remuneration payable to a managing or any whole-time director in any year cannot exceed 5 per cent of our net profits in that year. If there is more than one managing or whole-time director, then the aggregate remuneration to all of them cannot exceed 10 per cent of our net profits.

In addition, where a company has made no or inadequate profits, there are additional limits on the maximum remuneration payable to the directors. Approval of the Central Government would be required for payment of remuneration in excess of the limits prescribed.

Under our Articles of Association, our board of directors may, at its discretion and by means of a resolution, borrow funds on behalf of the company, create mortgages or liens on the company's property or uncalled capital and issue debentures. However, the Companies Act imposes some restrictions on the powers of the board to act without the consent of the shareholders including, for example, the ability to borrow money beyond the aggregate of our paid up capital and free reserves.

Equity Shares

Our authorized share capital is 375,000,000 equity shares, par value Rs. 2 per share. The equity shares are our only class of share capital. However, our Articles of Association and the Companies Act permit us to issue preference shares in addition to the equity shares. The rights attached to a class of shares may, subject to the provisions of the Companies Act, be varied only with either the written consent of the holders of 75% of the issued shares of that class or by special resolution passed at a separate meeting of the holders of that class.

Our equity shares are under the control of our board of directors, who may, with prior approval from the shareholders at a general meeting, allot or otherwise dispose of new equity shares in its discretion, including allotments of shares at a premium or discount in accordance with the provisions of the Companies Act. Our Articles of Association permit our board of directors to make calls on our equity shares, but only in respect of unpaid amounts on equity shares which are not fully paid-up. All of our issued and outstanding equity shares are fully paid-up.

Dividends

We paid out dividends of Rs$41.3 million ($1,820.5) Rs. 1,722.7 million ($37.6 million) and Rs. 1,207.0 million ($26.2 million) in fiscal 2006, fiscal 2005 and fiscal 2004 respectively.

Under the Indian Companies Act, unless our board of directors recommends the payment of a dividend, we may not declare a dividend. Similarly, under our Articles of Association, although the shareholders may, at the annual general meeting, approve a dividend in an amount less than that recommended by the board, they cannot increase the amount of the dividend. In India, dividends generally are declared as a percentage of the par value of a company's equity shares. The dividend recommended by the board, if any, and subject to the limitations described above, is distributed and paid to shareholders in proportion to the paid up value of their shares within 30 days of the approval by the shareholders at the annual general meeting. Pursuant to our Articles of Association and the Companies Act, our board has discretion to declare and pay interim dividends without shareholder approval. With respect to equity shares issued during a particular fiscal year (including any equity shares underlying ADSs issued to the depositary), cash dividends declared and paid for such fiscal year generally will be prorated from the date of issuance to the end of such fiscal year. Under the Companies Act, dividends can only be paid in cash to the registered shareholder at a record date fixed during or before the annual general meeting or to his order or his banker's order.

Under the Indian Companies Act, dividends and interim dividends may be paid out of profits of a company in the year in which the dividend and/or interim dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend and/or interim dividend greater than 10.0% of the par value of its equity shares, a company is required under the Companies Act to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10.0% depending upon the dividend percentage to be declared in such year. The Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, a dividend and/or interim dividend may be declared for such year out of the accumulated profits, subject to the following conditions:

- the rate of dividend to be declared may not exceed 10.0% of its paid up capital or the average of the rate at which dividends were declared by the company in the prior five years, whichever is less;
- the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves may not exceed an amount equivalent to 10.0% of its paid up capital and free reserves, and the amount so drawn is to be used first to set off the losses incurred in the fiscal year before any dividends in respect of preference or equity shares are declared; and
- the balance of reserves after withdrawals shall not fall below 5.0% of its paid up capital.

For additional information regarding dividends, please see "Item 8. Financial Information"

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act permits us to distribute an amount transferred from the general reserve or surplus in our profit and loss account to our shareholders in the form of bonus shares, which are similar to a stock dividend. The Companies Act also permits the issuance of bonus shares from a share premium account. Bonus shares are distributed to shareholders in the proportion recommended by the board. Shareholders of record on a fixed record date are entitled to receive such bonus shares. The last bonus share issued by us was in September 1999. However, at our Board meeting held on April 21, 2006, our board of directors recommended the issuance of bonus shares in the ratio of 1:1 (one equity share for every one share held) for all existing shares including American Depository Shares. This proposed bonus issue is subject to approval by our shareholders at the upcoming annual general meeting of shareholders, expected to be held in August 2006.

Preemptive Rights and Issue of Additional Shares

The Companies Act gives shareholders the right to subscribe for new shares in proportion to their respective existing shareholding unless otherwise determined by a special resolution passed by a general meeting of the shareholders. For approval, a special resolution must be approved by a number of votes which is not less than three times the number of votes against the special resolution.

If we issue equity shares and a special resolution is not approved by our shareholders, the new shares must first be offered to the existing shareholders as of a fixed record date. The offer must include: (1) the right, exercisable by the shareholders of record, to renounce the shares offered in favor of any other person; and (2) the number of shares offered and the period of the offer, which may not be less than 15 days from the date of offer. If the offer is not accepted it is deemed to have been declined. Our board is authorized under the Companies Act to distribute any new shares not purchased by the preemptive rights holders in the manner that it deems most beneficial to our company.

Annual General Meetings of Shareholders

We must convene an annual general meeting of shareholders within six months after the end of each fiscal year to adopt the accounts for such fiscal year and to transact other businesses and may convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding at least 10.0% of our paid up capital carrying voting rights. The annual general meeting of the shareholders is generally convened by our Company Secretary pursuant to a resolution of the board. Written notice setting out the agenda of the meeting must be given at least 21 days (excluding the day of mailing) before the date of the general meeting to the shareholders on record. Shareholders who are registered as shareholders on the date of the general meeting are entitled to attend or vote at such meeting. Our Articles of Association provides that a quorum for a general meeting is the presence of at least five shareholders in person.

The annual general meeting of shareholders must be held at our registered office or at such other place within the city in which the registered office is located; meetings other than the annual general meeting may be held at any other place if so determined by the board. Our registered office is located at Mayfair Centre, S P Road, Secunderabad 500 003, Andhra Pradesh, India.

Voting Rights

At any general meeting, voting is by show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least 10.0% of the total shares entitled to vote on the resolution or by those holding shares with an aggregate paid up value of at least Rs.50,000. Upon a show of hands, every shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid up capital held by such shareholder. The chairman of our board has a deciding vote in the case of any tie.

Any shareholder may appoint a proxy. The instrument appointing a proxy must be delivered to us at least 48 hours before the meeting. A proxy may not vote except on a poll. A corporate shareholder may appoint an authorized representative who can vote on behalf of the shareholder, both upon a show of hands and upon a poll.

Ordinary resolutions may be passed by simple majority of those present and voting at any general meeting for which the required period of notice has been given. However, special resolutions such as amendments to our Articles of Association and the object clause of the Memorandum of Association, commencement of a new line of business, the waiver of preemptive rights for the issuance of any new shares and a reduction of share capital, require that votes cast in favor of the resolution (whether by show of hands or poll) are not less than three times the number of votes, if any, cast against the resolution. Under a recent amendment to the Indian Companies Act, certain resolutions may and certain resolutions must be passed by means of a postal ballot instead of a vote at a meeting of shareholders.

Audit and Annual Report

At least 21 days before the date of the annual general meeting of shareholders (excluding the day of mailing), we must distribute to our shareholders a detailed version of our audited balance sheet and profit and loss account and the related reports of the board and the auditors, together with a notice convening the annual general meeting. Under the Companies Act, we must file the balance sheet and annual profit and loss account presented to the shareholders within 30 days of the conclusion of the annual general meeting with the Registrar of Companies in Andhra Pradesh, India, which is the state in which our registered office is located. We must also file an annual return containing a list of our shareholders and other information, within 60 days of the conclusion of the meeting.

Register of Shareholders; Record Dates; Transfer of Shares

We maintain a register of shareholders. For the purpose of determining the shares entitled to annual dividends, the register is closed for a specified period before the annual general meeting. The date on which this period begins is the record date.

To determine which shareholders are entitled to specified shareholder rights, we may close the register of shareholders. The Companies Act and our listing agreements with the Indian stock exchanges require us to give at least seven days' and fifteen days' prior notice respectively to the public before such closure. We may not close the register of shareholders for more than 30 consecutive days, and in no event for more than 45 days in a year.

Following the introduction of the Depositories Act, 1996, and the repeal of Section 22A of the Securities Contracts (Regulation) Act, 1956, which enabled companies to refuse to register transfers of shares in some circumstances, the equity shares of a public company are freely transferable, subject only to the provisions of Section 111A of the Companies Act. Because we are a public company, the provisions of Section 111A apply to us. Our Articles currently contain provisions which give our directors discretion to refuse to register a transfer of shares in some circumstances. According to our Articles, our directors are required to exercise this right in the best interests of our company. While our directors are not required to provide a reason for any such refusal in writing, they must give notice of the refusal to the transferee within one month after receipt of the application for registration of transfer by our company. In accordance with the provisions of Section 111A (2) of the Companies Act, our directors may exercise this discretion if they have sufficient cause to do so. If our directors refuse to register a transfer of shares, the shareholder wishing to transfer his, her or its shares may file a civil suit or an appeal with the Company Law Board, or CLB. Pursuant to Section 111A (3), if a transfer of shares contravenes any of the provisions of the Securities and Exchange Board of India Act, 1992 or the regulations issued thereunder or the Sick Industrial Companies (Special Provisions) Act, 1985 or any other Indian laws, the CLB may, on application made by the company, a depositary incorporated in India, an investor, the Securities and Exchange Board of India or other parties, direct the rectification of the register of records. The CLB may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. Notwithstanding such investigation, the rights of a shareholder to transfer the shares will not be restricted.

There are no maximum limits on foreign direct equity participation in the business in which our Company is engaged. With regard to share transfers, if a person resident outside India were to sell its shares to a person resident in India, approval of the RBI would be required unless the sale is made on a stock exchange or in connection with an offer made under the regulations regarding takeovers. For additional information regarding ownership restrictions, please see "Investment by Foreign Institutional Investors" below.

Under the Companies Act, unless the shares of a company are held in a dematerialized form, a transfer of shares is effected by a duly stamped instrument of transfer in the form prescribed by the Companies Act and the rules there under together with delivery of the share certificates.

We have entered into listing agreements with two of the Indian stock exchanges: Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. Clause 40A of each of the listing agreements provides that if an acquisition of a listed company's shares results in the acquirer and its associates holding 5.0% or more of the company's outstanding equity shares or voting rights, the acquirer must report its holding to the company and the relevant stock exchanges. If an acquisition results in the acquirer and its associates holding equity shares that have 15.0% or more of the voting rights, then the acquirer must, before acquiring such equity shares, make an offer, in accordance with clause 40B of the listing agreements, on a uniform basis to all remaining shareholders of the company to acquire equity shares that have at least an additional 20.0% of the voting rights of the total equity shares of the company at a prescribed price. The acquisition of shares of a company listed on an Indian stock exchange may be subject to regulations governing takeovers of Indian companies. Although clauses 40A and 40B and such regulations will not apply to the equity shares so long as they are represented by ADSs, holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the deposit agreements.

Disclosure of Ownership Interest

Section 187C of the Companies Act requires beneficial owners of shares of Indian companies who are not holders of record to declare to us details of the holder of record and the nature and details of the beneficial owner's interest in the shares. Any person who fails to make the required declaration within 30 days may be liable for a fine of up to Rs. 1,000 for each day the declaration is not made. Any lien, promissory note or other collateral agreement created, executed or entered into with respect to any equity share by its registered owner, or any hypothecation by the registered owner of any equity share, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner if such declaration is not made. Failure to comply with Section 187C will not affect our obligation to register a transfer of shares or to pay any dividends to the registered holder of any shares pursuant to which the declaration has not been made. While it is unclear under Indian law whether Section 187C applies to holders of ADSs, investors who exchange ADSs for the underlying equity shares will be subject to the restrictions of Section 187C. Additionally, holders of ADSs may be required to comply with the notification and disclosure obligations pursuant to the provisions of the deposit agreement covering the ADSs.

Company Acquisition of Equity Shares

Under the Companies Act, approval of at least 75.0% of our shareholders voting on the matter and approval of the High Court of Andhra Pradesh is required to reduce our share capital. We may, under some circumstances, acquire our own equity shares without seeking the approval of the High Court. However, we would have to extinguish any shares we have so acquired within the prescribed time period. Generally, a company is not permitted to acquire its own shares for treasury operations. An acquisition of our own shares (without having to obtain the approval of the High Court) must comply with prescribed rules, regulations and conditions as laid down in the Companies Act and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, or Buy-back Regulations.

Liquidation Rights

Subject to the rights of creditors, employees and the holders of any shares entitled by their terms to preferential repayment over the equity shares, if any, in the event of our winding-up the holders of the equity shares are entitled to be repaid the amounts of paid up capital or credited as paid up on those equity shares. All surplus assets after payments due to the holders of any preference shares at the commencement of the winding-up shall be paid to holders of equity shares in proportion to their shareholding.

Takeover Code

Under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, or Takeover Code, upon the acquisition of more than 5% or 10% or 14% or 54% or 74% of the outstanding shares or voting rights of a publicly-listed Indian company, a purchaser is required to notify the company, and the company and the purchaser are required to notify all the stock exchanges on which the shares of such company are listed. Further, the Takeover Code requires that any person holding more than 15% and less than 55% of the shares or voting rights in a company, upon the sale or purchase of 2% or more of the shares or voting rights of the company, is required to notify the company and all the stock exchanges where the shares are listed. A holder of ADSs would be subject to these notification requirements.

Upon the acquisition of 15% or more of such shares or voting rights, or a change in control of the company, the purchaser is required to make an open offer to the other shareholders, offering to purchase at least 20% of all the outstanding shares of the company at a minimum offer price determined pursuant to the Takeover Code. Since we are a listed company in India, the provisions of the Takeover Code will apply to us and to any person acquiring our equity shares or voting rights in our company. However, the Takeover Code provides for a specific exemption from this provision to a holder of ADSs and states that this provision will apply to a holder of ADSs only once he or she converts the ADSs into the underlying equity shares.

Material Contracts

Except as described herein, we have not entered into any material contracts in the two years preceding the date of this Annual Report, other than contracts entered into in the ordinary course of business.

Exchange Controls

General

Prior to June 1, 2000, investment in Indian securities was regulated by the Indian Foreign

Exchange Regulation Act, 1973. Under Section 29(1)(b) of the Indian Foreign Exchange Regulation Act, 1973, no person or company resident outside India that is not incorporated in India (other than a banking company) could purchase the shares of any company carrying on any trading, commercial or industrial activity in India without the permission of the Reserve Bank of India. Also, under Section 19(1)(d) of the Indian Foreign Exchange Regulation Act, 1973, the transfer and issuance of any security of any Indian company to a person resident outside India required the permission of the Reserve Bank of India. Under Section 19(5) of the Indian Foreign Exchange Regulation Act, 1973, no transfer of shares in a company registered in India by a non-resident to a resident of India was valid unless the transfer was confirmed by the Reserve Bank of India upon application filed by the transferor or the transferee. Furthermore, the issuance of rights and other distributions of securities to a non-resident also requires the prior consent of the Reserve Bank of India. However, the Reserve Bank of India has issued notifications over the past few years relaxing the restrictions on foreign investment in Indian companies.

As of June 1, 2000, the Indian Foreign Exchange Regulation Act, 1973 was replaced by the Indian Foreign Exchange Management Act, 1999. The Indian Foreign Exchange Management Act, 1999 contains provisions regarding current account convertibility and amendments to the definition of a resident of India. However, some of the preexisting controls and restrictions on capital account transactions remain in force. While many of the restrictions imposed by the Indian Foreign Exchange Regulation Act, 1973 have been relaxed under this new legislation, the Notifications and Guidelines issued by the Reserve Bank of India which are not inconsistent with the Indian Foreign Exchange Management Act, 1999 continue to be in force. The purchase and the transfer of shares of Indian companies continues to be regulated by the RBI. Therefore, transaction involving foreign investment in Indian securities is regulated by the provisions of the Indian Foreign Exchange Management Act, 1999 and continues to be regulated by the Reserve Bank of India.

ADR Guidelines

Shares of Indian companies represented by ADSs are no longer required to be approved for issuance to foreign investors by either Ministry of Finance or the Reserve Bank of India under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993, as modified from time to time, notified by the Government of India. This change was effected through the guidelines for ADR and GDR issues by Indian companies issued by the Ministry of Finance on January 19, 2000 and a notification issued by the Reserve Bank of India. Hence we do not require the approval of the Ministry of Finance and the Reserve Bank of India under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993. However, we will be required to furnish full particulars of the issue, including the underlying equity shares representing the ADRs, to the Ministry of Finance and the Reserve Bank of India within 30 days of the completion of an offering.

The Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme is distinct from other policies or facilities, as described below, relating to investments in Indian companies by foreign investors. The issuance of ADSs pursuant to the Issue of Foreign Currency Convertible Bonds and Ordinary Shares Scheme also affords to owners of ADSs the benefits of Section 115AC of the Indian Income-tax Act, 1961 for purposes of the application of Indian tax law. The Government of India does not restrict the payment of dividends to the holders of our ADSs or equity shares, whether or not such holders reside in India. For additional information, please see “Taxation—Indian Taxation” below.

Foreign Direct Investment

Currently, due to recent changes in Indian policy, subject to certain exceptions, foreign direct investment and investment by individuals of Indian nationality or origin residing outside India and non-resident Indians in Indian companies do not require the approval of the Foreign Investment Promotion Board, or FIPB, a body formed by the Government of India to negotiate with large foreign companies interested in making long-term investments in India. Furthermore, henceforth no prior approval of the Reserve Bank of India is required although a post-investment declaration in giving details of the foreign investment in the company pursuant to the ADR issue must be filed with the Reserve Bank of India within thirty days of an ADR offering.

In cases where FIPB approval is obtained, no prior approval of the Reserve Bank of India is required, although a declaration in the prescribed form as mentioned above must be filed with the Reserve Bank of India once the foreign investment is made in the Indian company. In cases where no prior approval of the FIPB is required, prior approval of the Reserve Bank of India would also not be required. However, a declaration in the prescribed form giving details of the foreign investment must be filed with the Reserve Bank of India once the foreign investment is made in the Indian company.

In May 1994, the Government of India announced that purchases by foreign investors of ADSs and foreign currency convertible bonds of Indian companies will be treated as foreign direct investment in the equity issued by Indian companies for such offerings.

In November 1998, the Reserve Bank of India issued a notification to the effect that foreign investment in preferred shares will be considered as part of the share capital of a company and the provisions relating to foreign direct investment in the equity shares of a company discussed above would apply. Investments in preferred shares are included as foreign direct investment for the purposes of sectoral caps on foreign equity, if such preferred shares carry a conversion option. If the preferred shares are structured without a conversion option, they would fall outside the foreign direct investment limit.

The discussion on the foreign direct investment regime in India set forth above applies only to a new issuance of shares made by Indian companies, not to a transfer of shares.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India and non-resident Indians. These facilities permit non-resident Indians to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. These facilities are different and distinct from investments by foreign direct investors described above.

Apart from portfolio investments in Indian companies, non-resident Indians may also invest in Indian companies through foreign direct investments. For additional information, see "—Foreign Direct Investment". Under the foreign direct investment rules, non-resident Indians may invest up to 100% in high-priority industries in which other foreign investors are permitted to invest only up to 50%, 51%, 74% or 100%, depending on the industry category.

Investment by Foreign Institutional Investors

In September 1992, the Government of India issued guidelines which enable Foreign Institutional Investors, or FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to invest in all the securities traded on the primary and secondary markets in India. Under the guidelines, FIIs are required to obtain an initial registration from the Securities and Exchange Board of India, or SEBI, and a general permission from the Reserve Bank of India to engage in transactions regulated under the Foreign Exchange Management Act. FIIs must also comply with the provisions of the SEBI Foreign Institutional Investors Regulations, 1995. When it receives the initial registration, the FII also obtains general permission from the Reserve Bank of India to engage in transactions regulated under the Foreign Exchange Management Act. Together, the initial registration and the Reserve Bank of India's general permission enable the registered FII to: (i) buy (subject to the ownership restrictions discussed below) and sell unrestricted securities issued by Indian companies; (ii) realize capital gains on investments made through the initial amount invested in India; (iii) participate in rights offerings for shares; (iv) appoint a domestic custodian for custody of investments held; and (v) repatriate the capital, capital gains, dividends, interest income and any other compensation received pursuant to rights offerings of shares. The current policy with respect to purchase/sale of securities of an Indian company by an FII is enshrined in Schedule 2 and Regulation 5(2) of the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2000.

Apart from making portfolio investments in Indian Companies as described above, foreign institutional investors may direct foreign investments in Indian Companies. For additional information, please see "—Foreign Director Investment."

Ownership Restrictions

The Securities and Exchange Board of India and Reserve Bank of India regulations, restrict investments in Indian companies by FIIs and NRIs or collectively, Foreign Direct Investors. Under the current SEBI regulations applicable to us, subject to the requisite approvals of the shareholders in a general meeting, Foreign Direct Investors in aggregate may hold no more than 49% of a company's equity shares, excluding the equity shares underlying the ADSs. Pursuant to Notification

No. FEMA.45/2001-RB dated September 20, 2001 under Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) (Amendment) Regulations, 2001, upon obtaining the approval of the shareholders by a special resolution, the limit of FII investment in a company may be increased to 100% for companies in the IT industry. Furthermore, SEBI regulations provide that no single FII may hold more than 10% of a company's total equity shares.

There is uncertainty under Indian law about the tax regime applicable to foreign institutional investors that hold and trade ADSs. Foreign institutional investors are urged to consult with their Indian legal and tax advisers about the relationship between the foreign institutional investor regulations and the ADSs and any equity shares withdrawn upon surrender of ADSs.

Detailed provisions relating to FII investment have been introduced by the SEBI with the introduction of the SEBI Foreign Institutional Investors Regulations, 1995. These provisions relate to the registration of FIIs, their general obligations and responsibilities, and certain investment conditions and restrictions. One such restriction is that the total investment in equity and equity-related instruments should not be less than 70% of the aggregate of all investments of an FII in India. The SEBI has also permitted private placements of shares by listed companies with FIIs, subject to the prior approval of the Reserve Bank of India under the Foreign Exchange Management Act. Such private placements must be made at the average of the weekly highs and lows of the closing price over the preceding six months or the preceding two weeks, whichever is higher.

Under the Takeover Code, which replaced the 1994 Takeover Code (as defined herein), upon the acquisition of more than 5% or 10% or 14% or 54% or 74% of the outstanding shares of a public Indian company, a purchaser is required to notify the company and the company and the purchasers are required to notify to all the stock exchanges on which the shares of the company are listed. Upon the acquisition of 15% or more of such shares or a change in control of the company, the purchaser is required to make an open offer to the other shareholders offering to purchase at least 20% of all the outstanding shares of the company at a minimum offer price as determined pursuant to the rules of the Takeover Code. Upon conversion of ADSs into equity shares, a holder of ADSs will be subject to the Takeover Code.

Open market purchases of securities of Indian companies in India by Foreign Direct Investors above the ownership levels set forth above require Government of India approval on a case-by-case basis.

Voting Rights of Deposited Equity Shares Represented by ADSs

Holders of ADSs generally have the right under the deposit agreement to instruct the depositary bank to exercise the voting rights for the equity shares represented by the related ADSs.

At our request, the depositary bank will mail to the holders of ADSs any notice of stockholders' meeting received from us together with information explaining how to instruct the depositary bank to exercise the voting rights of the securities represented by ADSs.

If the depositary bank timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities represented by the holder's ADSs in accordance with such voting instructions. In the event that voting takes place by a show of hands, the depositary bank will cause the custodian to vote all deposited securities in accordance with the instructions received by holders of a majority of the ADSs for which the depositary bank receives voting instructions.

Please note that the ability of the depositary bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that ADS holders will receive voting materials in time to enable them to return voting instructions to the depositary bank in a timely manner. Securities for which no voting instructions have been received will not be voted.

Taxation

The following summary of the material Indian and United States federal income and estate tax consequences of an investment in our ADSs is based upon laws and relevant interpretations thereof in effect as of the date of this document, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our equity stock, such as the tax consequences under state, local and other tax laws.

Indian Taxation

General. The following is a summary of the principal Indian tax consequences for holders of ADSs and equity *shares* received upon withdrawal of such equity shares who are not resident in India, whether of Indian origin or not. The following is based on the provisions of the Income-tax Act, 1961, including the special tax regime contained in Section 115AC and 115ACA of the Income-tax Act and the 1993 Regulations as amended on January 19, 2000. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of Section 115AC and 115ACA may be amended or changed by future amendments of the Income-tax Act.

We believe this information is materially complete as of the date hereof. However, this summary is not intended to constitute a complete analysis of the individual tax consequences to non-resident holders under Indian law for the acquisition, ownership and sale of ADSs and equity shares. Personal tax consequences of an investment may vary for non-resident holders in various circumstances, and potential investors should therefore consult their own tax advisors on the tax consequences of such acquisition, ownership and sale, including specifically the tax consequences under the law of the jurisdiction of their residence and any tax treaty between India and their country of residence.

Residence. For purposes of the Income-tax Act, an individual is considered to be a resident of India during any fiscal year if he or she is in India in that year for:

- a period or periods amounting to 182 days or more; or
- 60 days or more if within the four preceding years he/she has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India or a person of Indian origin living abroad who visits India and within the four preceding years has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India who leaves India for the purposes of employment outside India in any previous year and has within the four preceding years been in India for a period or periods amounting to 365 days or more.

A company is a resident of India if it is registered in India or the control and the management of its affairs is situated wholly in India. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India. Individuals, companies, firms and other associations of persons that are not resident of India would be treated as non-residents for purposes of the Income-tax Act.

Taxation of Distributions. There is no withholding tax on dividends paid to shareholders. However, the company paying the dividend would be subject to a dividend distribution tax of 13.75% including the presently applicable surcharge of 10%, of the total amount it distributes, declares or pays as a dividend. Additionally, an education cess at the rate of 2.0% of such tax and surcharge after which the effective dividend distribution tax payable would be 14.025%.

Any distributions of additional ADSs, equity shares or rights to subscribe for equity shares made to non-resident holders with respect to ADSs or equity shares will not be subject to Indian tax. Similarly, the acquisition by a non-resident holder of equity shares upon redemption of ADSs will not constitute a taxable event for Indian income tax purposes. Such acquisition will, however, give rise to a stamp duty as described below under " — Stamp Duty and Transfer Tax."

Taxation of Capital Gains. Any gain realized on the sale of ADSs or equity shares by a non-resident holder to any non-resident outside India is not subject to Indian capital gains tax.

The following is a brief summary of capital gains taxation of non-resident holders and resident employees relating to the sale of ADSs and equity shares received upon conversion of ADSs. The relevant provisions are contained mainly in sections 45, 47(vii)(a), 115AC and 115ACA, of the Income-tax Act, in conjunction with the Scheme. Effective April 1, 2002, the Finance Act, 2001 introduced a new section 115AC in place of the prevailing section 115AC of the Income-tax Act. You should consult your own tax advisor concerning the tax consequences of your particular situation.

Capital gains arising to the non-resident investor on the transfer of the equity shares received upon conversion of the ADSs (whether in India or outside India to a non-resident investor) will be liable for income tax under the provisions of the Income-tax Act.

With effect from October 1, 2004 any gain realized on the sale of listed equity shares held for more than 12 months to an Indian resident or to a non-resident investor in India will not be subject to Indian capital gains tax if the STT has been paid on the transaction. With effect from June 1, 2005, the STT levied on delivery-based transactions on both buyer and seller is at the rate of 0.1 per cent and on non-delivery based transactions it is 0.02 per cent. Further, consequent to the Finance Act, 2006, with effect from June 1, 2006, the new rate of STT on delivery-based transactions (for both buyer and seller) will be 0.125% and on non-delivery based transactions it will be 0.025%.

Any gain realized on the sale of equity shares to an Indian resident, whether in India or outside India, or to a non-resident in India, on which no STT has been paid will be subject to Indian capital gains tax at the rate of 10% plus applicable surcharge on income tax and education cess at the rate of 2.0% of sale of shares on which no STT is paid. For the purpose of computing capital gains tax on the sale of the equity shares under section 115AC, the cost of acquisition of equity shares received in exchange for ADSs will be determined on the basis of the prevailing price of the equity shares on the BSE or NSE as on the date on which the relevant depositary gives notice to its custodian for the delivery of such equity shares upon redemption of the ADSs, while the cost of acquisition of shares directly converted from the ADSs will be determined on the basis of the price prevailing on the BSE or the NSE on the date of conversion into shares. A non-resident holder's holding period (for purpose of determining the applicable Indian capital gains tax rate) in respect of equity shares received in exchange for ADSs commences on the date of the advice of withdrawal of such equity shares by the relevant depositary to its custodian.

Capital gain realized in respect of equity shares held (calculated in the manner set forth in the prior paragraph) for 12 months or less (short-term gain) on which STT is paid in the manner and rates set out above, is subject to tax at the rate of 10% plus applicable surcharge on income tax and an education cess at the rate of 2.0%. In the event that no STT is paid, short-term gain is subject to tax at variable rates with the maximum rate of 40% plus applicable rate of surcharge on income tax and education cess at the rate of 2.0% The actual rate of tax on short-term gains depends on a number of factors, including the legal status of the non-resident holder and the type of income chargeable in India. The provisions of the Agreement for Avoidance of Double Taxation entered into by the Government of India, or India Double Taxation Avoidance Agreement, with the country of residence of the non-resident investor will be applicable to the extent they are more beneficial to the non-resident investor.

The capital gains tax is computed by applying the appropriate tax rates to the difference between the sale price and the purchase price of the ADSs or equity shares.

It is unclear as to whether section 115AC and the Scheme are applicable to a non-resident who acquires equity shares outside India from a non-resident holder of equity shares after receipt of the equity shares upon conversion of the ADSs.

It is unclear as to whether capital gains derived from the sale of subscription rights or other rights by a non-resident holder not entitled to an exemption under a tax treaty will be subject to Indian capital gains tax. If such subscription rights or other rights are deemed by the Indian tax authorities to be situated within India, the gains realized on the sale of such subscription rights or other rights will be subject to Indian taxation. The capital gains realized on the sale of such subscription rights or other rights, which will generally be in the nature of short-term capital gains, will be subject to tax at variable rates with a maximum rate of 40% excluding the applicable surcharge and education cess, in case of a foreign company, and 30% excluding the applicable surcharge and education cess, in case of resident employees, and non-resident individuals with taxable income over Rs.150,000.

Capital Losses. Neither section 115AC nor the 1993 Regulations deals with capital losses arising on a transfer of equity shares in India. In general terms, losses arising from a transfer of a capital asset in India can only be set off against capital gains. A long-term capital loss can be set off only against a long-term capital gain. To the extent that the losses are not absorbed in the year of transfer, they may be carried forward for a period of eight assessment years immediately succeeding the assessment year for which the loss was first determined by the assessing authority and may be set off against the capital gains assessable for such subsequent assessment years. In order to set off capital losses as above, the non-resident investor would be required to file appropriate and timely tax returns in India and undergo the usual assessment procedures.

Withholding Tax on Capital Gains. Any taxable gain realized by a non-resident on the sale of ADSs or equity shares is to be withheld at the source by the buyer. However, as per the provisions of Section 196D(2) of the Income-tax Act, no withholding tax is required to be deducted from any income by way of capital gains arising to Foreign Institutional Investors as defined in Section 115AD of the Income-tax Act on the transfer of securities defined in Section 115AD of the Income-tax Act.

Buy-back of Securities. Indian companies are not subject to any tax on the buy-back of their shares. However, the shareholders will be taxed on any resulting gains. We would be required to deduct tax at source according to the capital gains tax liability of a non-resident shareholder.

Tax Treaties. Currently divided income is not subject to tax in India in the hands of the holder of the equity shares. If any equity shares are held by a non-resident investor following withdrawal thereof from the depositary facility under the deposit agreements, the double taxation treaty, if any, entered into by India with the country of residence of such non-resident investor will be applicable to taxation with respect to any capital gain arising from transfer of such equity shares or the ADSs. However, during the period of fiduciary ownership of equity shares in the hands of the Depositary, the provisions of the India Double Taxation Avoidance Agreement entered into by the Government of India with the country of residence of the Depositary will be applicable in the matter of taxation of capital gains, if any, on ADSs.

Stamp Duty and Transfer Tax. Our equity shares are compulsorily deliverable in dematerialized form (except for trades of up to 500 equity shares which may be delivered in physical form), and accordingly, there would be no stamp duty in India on transfer of these equity shares in dematerialized form. Upon issuance of the equity shares underlying our ADSs, we are required to pay a stamp duty of Rs. 0.30 per share certificate or per share. A transfer of ADSs is not subject to Indian stamp duty. However, upon the acquisition of equity shares in physical form from the depositary in exchange for ADSs, the non-resident holder will be liable for Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the redemption date. Similarly upon a sale of shares in physical form, stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date is payable, although customarily such duty is borne by the purchaser. Blocks of 500 or less of our equity shares may be issued and traded in physical form, and are thus subject to Indian stamp duty.

Wealth Tax. The holding of the ADSs in the hands of non-resident holders and the holding of the underlying equity shares by the depositary as a fiduciary will be exempt from Indian wealth tax. Non-resident holders are advised to consult their own tax advisors in this context.

Gift Tax and Estate Duty. Indian gift tax was abolished in October 1998. In India, there is no estate duty law. As a result, no estate duty would be applicable to non-resident holders. Non-resident holders are advised to consult their own tax advisors in this context.

Service Tax. Brokerage or commission paid to stock brokers in connection with the sale or purchase of shares listed on a recognized stock exchange in India is subject to a service tax of 10%, excluding surcharges and education cess. There is an additional add on tax at the rate of 2.0%. The stock broker is responsible for collecting the service tax from the shareholder and paying it to the relevant authority.

Recent Developments – Budget. The Finance Bill (No. 2) 2006 (“Finance Bill”), had proposed, among others, the following:

- No change in the tax rates for companies or individuals is introduced: the effective corporate tax rate for domestic companies stays at 33.66% and for foreign companies at 41.82%
- Increase in Rate of Minimum Alternate Tax (“MAT”) that is levied on companies from 7.5% to 10%; however, the carryforward period for MAT credit shall be increased from 5 years to 7 years
- Long-term capital gains on the sale of listed securities, which is otherwise tax exempt, will now have to be considered for MAT purposes
- Increase in Securities Transaction Tax (STT) by 25% for all categories w.e.f. from June 1, 2006

The Finance Bill received the assent of the President on April 18, 2006 and has been enacted. Consequently, the above proposed provisions have come into effect.

U.S. Taxation

The following discussion describes the material U.S. federal income tax consequences under present law of an investment in the ADSs or equity shares. This summary applies only to investors that hold the ADSs or equity shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as in effect on the date of this document and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this document, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- broker dealers;
- traders that elect to mark to market;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- U.S. expatriates;
- persons holding an ADS or equity share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting stock; or
- persons holding ADSs or equity shares through partnerships or other pass-through entities.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF ADSs OR EQUITY SHARES.

The discussion below of the U.S. federal income tax consequences to "U.S. Holders" will apply if you are the beneficial owner of ADSs or equity shares and you are, for U.S. federal income tax purposes,

- a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any State or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership holds ADSs or equity shares, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. Partners of partnerships holding ADSs or equity shares should consult their own tax advisors regarding the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of ADSs or equity shares.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with the terms. If you hold ADSs, you should be treated as the holder of the underlying equity shares represented by those ADSs for U.S. federal income tax purposes.

The U.S. Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming, by U.S. Holders of ADSs, of foreign tax credits for U.S. federal income tax purposes. Such actions would also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. Holders, as described below. Accordingly, the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders could be affected by future actions that may be taken by the U.S. Treasury.

Dividends

Subject to the passive foreign investment company rules discussed below, the gross amount of distributions made by us with respect to the ADSs or the equity shares will generally be includable in your gross income in the year received as foreign source dividend income to the extent that such distributions are paid out of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent, if any, that the amount of any such distribution exceeds our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of your tax basis in the ADSs or the equity shares (thereby increasing the amount of any gain or decreasing the amount of any loss realized on the subsequent sale or disposition of such ADSs or equity shares) and thereafter as capital gain. No dividends received deduction will be allowed for U.S. federal income tax purposes with respect to dividends paid by us. With respect to non-corporate U.S. Holders, including individuals, for taxable years beginning before January 1, 2009, dividends may be “qualified dividend income” which is taxed at the lower applicable capital gains rate provided that (1) either (a) we are eligible for the benefits of the income tax treaty between the United States and India or (b) the ADSs or equity shares, as applicable, are readily tradable on an established securities market in the United States, (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year and (3) certain holding period requirements are met. Under Internal Revenue Service authority, common shares, or ADSs representing such shares, are considered to be readily tradable on an established securities market in the United States if they are listed on the New York Stock Exchange, as our ADSs are. You should consult your own tax advisors regarding the availability of the lower rate for dividends paid with respect to ADSs or equity shares.

The amount of any distribution paid in Indian rupees will be equal to the U.S. dollar value of such Indian rupees on the date such distribution is received by the depositary, in the case of ADSs, or by you, in the case of equity shares, regardless of whether the payment is in fact converted into U.S. dollars at that time. Gain or loss, if any, realized on the sale or other disposition of such Indian rupees will generally be U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

For foreign tax credit purposes, dividends distributed by us with respect to ADSs or equity shares will generally constitute “passive income” or, in the case of certain U.S. Holders, “financial services income”. For taxable years beginning after December 31, 2006; dividends distributed by us with respect to ADSs or equity shares would generally constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.” A U.S. Holder will not be able to claim a U.S. foreign tax credit for any Indian taxes imposed with respect to distributions on equity shares or ADSs (as discussed under “—Indian Taxation— Taxation of Distributions.”).

Sale or Other Disposition of ADSs or Equity Shares

Subject to the passive foreign investment company rules discussed below, upon a sale or other disposition of ADSs or equity shares, you will recognize a capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized and your tax basis in such ADSs or equity shares. Your tax basis in your ADSs or equity shares will generally equal the cost of such ADSs or equity shares, as applicable. Any such gain or loss will generally be U.S. source gain or loss and will be treated as long-term capital gain or loss if your holding period in the ADSs or the equity shares exceeds one year. If you are a non-corporate U.S. Holder, including an individual, any capital gain generally will be subject to U.S. federal income tax at preferential rates if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

Because capital gains generally will be treated as U.S. source gain, as a result of the U.S. foreign tax credit limitation, any Indian income tax imposed upon capital gains in respect of equity shares or ADSs (as discussed under "—Indian Taxation—Taxation of Capital Gains") may not be currently creditable unless a U.S. Holder has other foreign source income for the year in the appropriate U.S. foreign tax credit limitation basket.

Stamp Duty and Transfer Tax

A U.S. Holder generally will not be able to claim a U.S. foreign tax credit for any Indian stamp duty for which such U.S. Holder is liable (as discussed under "—Indian Taxation—Stamp Duty and Transfer Tax") and which is paid by such U.S. Holder. You should consult your tax advisor regarding the effect of payment of any Indian stamp duty.

Passive Foreign Investment Company

A non-U.S. corporation is considered a passive foreign investment company (a "PFIC") for any taxable year if either

- at least 75% of its gross income is passive income, or
- at least 50% of the value of its assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income.

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

We do not believe that we were a PFIC for the taxable year ended March 31, 2006, and we do not anticipate that we will be a PFIC for future taxable years. This is a factual determination, however, that must be made annually at the end of the taxable year. Therefore there can be no assurance that we will not be classified as a PFIC for the current taxable year or for any future taxable year. If we were classified as a PFIC for any taxable year during which you held our ADSs or equity shares, you could be subject to materially adverse tax consequences with respect to certain distributions on, and gain realized from a disposition of, ADSs or equity shares.

You should consult your own tax advisors regarding the potential application of the PFIC rules to your ownership of ADSs or equity shares.

U.S. Information Reporting and Backup Withholding

Dividend payments with respect to ADSs or equity shares and proceeds from the sale, exchange or redemption of ADSs or equity shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding at a current rate of 28%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to ownership of equity shares or ADSs. You should consult your own tax advisor concerning the tax consequences of your particular situation.

Documents On Display

Publicly filed documents concerning our company which are referred to in this document may be inspected and copied at the public reference facilities maintained by the SEC at:

Judiciary Plaza
450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20549

Copies of these materials can also be obtained from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington D.C. 20549, at prescribed rates.

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our currency, maturity and interest rate information relative to our short-term and long-term debt are disclosed in Note. 12 “Borrowings” to our consolidated financial statements.

The table below provides information about our financial instruments that are sensitive to changes in interest rates and foreign currencies as of the dates shown. Weighted average variable rates were based on average interest rates applicable to the loans. The information is presented in U.S. dollars, which is our reporting currency, based on the applicable exchange rates as of the relevant period end. Actual cash flows are denominated in various currencies, including U.S. dollars and Indian rupees.

	As at March 31,					
	2006		2005		2004	
	Total Recorded		Total Recorded		Total Recorded	
	Amount	Fair Value	Amount	Fair Value	Amount	Fair Value
	(dollars in millions)					
Debt:						
Variable rate short-term debt	$ 4.1	$ 4.1	$1.7	$1.7	—	—
Average interest rate	5.33%		3.61%		—	
Variable rate long termdebt	$16.1	$16.1	—	—	—	—
Average interest rate	5.58%		—		—	
Fixed rate long-term debt	$ 4.2	$ 4.2	$4.3	$4.3	$4.1	$4.1
Average interest rate	7.78%		9.49%		10.93%	

Limitations: Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

We also face market risk relating to foreign exchange rate fluctuations, principally relating to the fluctuation of U.S. dollar to Indian rupee exchange rate. Our foreign exchange risk principally arises from accounts payable to overseas vendors. This risk is partially mitigated as we have receipts in foreign currency from overseas customers and hold balances in foreign currency with overseas banks.

During fiscal 2006 and 2005, 98.6% and 96.6 %, respectively, of our revenues were generated outside of India. Using sensitivity analysis, a hypothetical 10% increase in the value of the Indian rupee against all other currencies would decrease revenue by 2.3 %, or $24.9 million, in fiscal 2006, 1.8 %, or $14.5 million, in fiscal 2005 while a hypothetical 10% decrease in the value of the Indian rupee against all other currency would increase revenue by 2.3% or $24.9 million in fiscal 2006 and 1.8 % or $14.5 million in fiscal 2005.

We had outstanding forward and options contract amounting to $216.0 million and $301.5 million as at March 31, 2006 and 2005, respectively. Gains/ (losses) on outstanding forward and options contracts amounted to $(1.4) million and $1.1 million during fiscal 2006 and 2005 respectively. Using sensitivity analysis, a hypothetical 1% increase in the value of the Indian rupee against all other currencies would decrease these gains by $0.8 million in fiscal 2006 and by $1.6 million in fiscal 2005 while a hypothetical 1% decrease in the value of the Indian rupee against all other currency would increase these gains by $0.8 million in fiscal 2006 and $1.6 million in fiscal 2005.

In the opinion of management, a substantial portion of this fluctuation would be offset by expenses incurred in local currencies. As a result, the aggregate of the hypothetical movement described above of the value of the Indian rupee against all other currencies in either direction would have impacted our earnings before interest and taxes by $25.7 million in fiscal 2006 and $16.1 million in fiscal 2005. This amount would be offset, in part, from the impacts of local income taxes and local currency interest expense. As of March 31, 2006, we had approximately $277.3 million of non-Indian rupee denominated cash and cash equivalents.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

In May 2001, we completed an offering of 16,675,000 ADSs (representing 33,350,000 equity shares) at a price of $9.71 per ADS. We received approximately $150.6 million in cash, net of underwriting discounts, commissions and other offering costs. Our Securities Act registration statement on Form F-1 with respect to the offering was declared effective by the Securities and Exchange Commission on May 14, 2001 (Registration No. 333-13464). As of March 31, 2006, approximately $106.4 million of these proceeds has been used for prepayment of loans ($26.9 million); strategic investments in our subsidiaries ($32.7 million); development of facilities and infrastructure ($21.2 million) and working capital and general corporate purposes ($25.6 million). We intend to use the balance of the net proceeds to fund expansion of our existing facilities and communication network in different locations in India and outside India; to develop new facilities within and outside India; to investment in joint ventures and other strategic investments; and for working capital and general corporate purposes. None of the net proceeds from our ADS offering were paid, directly or indirectly, to any of our directors, officers or general partners or any of their associates, or to any persons owning ten percent or more of any class of our equity securities, or any affiliates.

ITEM 15. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and, in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

We have carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and other management, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded with a reasonable level of assurance that our disclosure controls and procedures were effective as of March 31, 2006.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Audit Committee members (as of March 31, 2006) are V.P. Rama Rao, Mangalam Srinivasan and M Rammohan Rao, each of whom is an independent director pursuant to the applicable rules of the Securities Exchange Commission and the NYSE. Mr. Krishna G Palepu stepped down from the Audit Committee in fiscal 2006 and was replaced by Mr. M Rammohan Rao See "Item 6. Directors, Senior Management and Employees" for the experience and qualifications of the members of the Audit Committee. We do not have an individual serving on our audit committee as an "Audit Committee Financial Experts," as defined in applicable rules of the Securities and Exchange Commission. This is because although our audit committee members have certain financial expertise, our board of directors has determined that no individual audit committee member possesses all of the attributes required by the definition of "Audit Committee Financial Expert."

ITEM 16B. CODE OF ETHICS

We have adopted a written Code of Ethics that is applicable to all of our directors, senior management and employees. We will make available a copy of the Code of Ethics to any person, without charge, if a written request is made to our Company Secretary at Mayfair Center, SP Road, Secunderabad 500 003, Andhra Pradesh, India.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the remuneration that we paid to our Independent Auditors and its associated entities in each of our previous two fiscal years:

			(Amounts in $)		
Fiscal Year Ended March 31,	**Audit Services**	**Audit Related Services**	**Tax Services**	**Other Services**	**Total**
2006	$493,120	$206,010	$109,717	$10,245	$819,092
2005	$273,437	$148,036	$117,007	$95,707	$634,187

Audit Services

Audit of the standalone financial statements, consolidated financial statements of the Company and its subsidiaries prepared in accordance with Indian GAAP, US GAAP and other local GAAPs of the subsidiaries and attest services that generally only the auditor can provide.

Audit Related Services

Audit Related Services represent assurance and related services that are related to the performance of the audit of the Company's financial statements.

Tax Services

Tax audit, tax returns, tax processing, tax filing and advisory services pertaining to withholding taxes, double tax avoidance agreements, indirect tax matters, etc.

Other Services

Work permit related services and other advisory services

During fiscal 2006, the Audit Committee pre-approved a list of services that could be rendered by the principal accountant in fiscal 2006 pursuant to pre-approval policies and procedures established by the Audit Committee. For services other than those specified, approval would need to be obtained from the Audit Committee prior to the performance of such services. Services provided by the principal accountant in fiscal 2005 were allowable services that were approved by the Audit Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASES

None.

ITEM 17. FINANCIAL STATEMENTS

See Item 18 for a list of financial statements filed under Item 17.

ITEM 18. FINANCIAL STATEMENTS

Financial Statement

The following financial statements are filed as part of this document, together with the report of the independent auditors:

- Report of Price Waterhouse, Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of March 31, 2005 and 2006
- Consolidated Statements of Income for the years ended March 31, 2004, 2005 and 2006
- Consolidated Statements of Shareholders' Equity and Comprehensive Income for the years ended March 31, 2004, 2005 and 2006.
- Consolidated Statements of Cash Flows for the years ended March 31, 2004, 2005 and 2006
- Notes to the Consolidated Financial Statements
- Financial Statement Schedule — Valuation and qualifying accounts

ITEM 19. EXHIBITS

Number	Description
1.1	Memorandum and Articles of Association of Satyam Computer Services. (1)
1.2	Certificate of Incorporation of Satyam Computer Services. (2)
2.1	Specimens of Share Certificates. (2)
2.2	Deposit Agreement dated May 14, 2001, by and among Satyam Computer Services, Citibank, N.A. and the holders from time to time of American Depositary Receipts issued thereunder (including as an exhibit, the form of American Depositary Receipt). (3)
4.1	Associate Stock Option Plan (including Deed of Trust). (2)
4.2	Associate Stock Option Plan B as amended and restated (2)
4.3	Associate Stock Option Plan ADS as amended and restated. (2)
4.4	Investor Rights Agreement, dated October 7, 2002, by and among Sify Limited (formerly Satyam Infoway Limited), Satyam Computer Services Limited, SAIF Investment Company Limited and Venture Tech Solutions Pvt. Ltd. (4)
8.1	List of Subsidiaries. (5)
10.1	Consent of Price Waterhouse, Independent Registered Public Accounting Firm. (5)
12.1	Certification of Chief Executive Officer under Section 302 of the Sarbane Oxley Act. (5)
12.2	Certification of Chief Financial Officer under Section 302 of the Sarbane Oxley Act. (5)
13.1	Certification of Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act. (5)
13.2	Certification of Financial Officer under Section 906 of the Sarbanes-Oxley Act. (5)

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(1) Previously filed as an exhibit to our Registration Statement on Form F-3 (File No. 333-122996) filed on February 25, 2005 and incorporated herein by reference.

(2) Previously filed as an exhibit to our Registration Statement on Form F-1 (File No. 333-13464) filed on May 7, 2001 and incorporated herein by reference.

(3) Previously filed as an exhibit to our Form 20—F (File No. 001—15190) filed on August 13, 2001 and incorporated herein by reference.

(4) Previously furnished by Sify Limited to the Commission as an exhibit to Form 6-K (file No. 00027-663) on October 10, 2002 and incorporated herein by reference.

(5) Filed herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and authorized the undersigned to sign this annual report on its behalf.

SATYAM COMPUTER SERVICES LIMITED

By: /s/ B. Rama Raju
Name: B. Rama Raju
Title: Managing Director and Chief Executive Officer

By: /s/ Srinivas V
Name: Srinivas V
Title: Director and Senior Vice President & Chief Financial Officer

Date: April 28, 2006

SATYAM COMPUTER SERVICES LIMITED

INDEX TO THE U.S. GAAP CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Satyam Computer Services Limited:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders equity and comprehensive income and of cash flows present fairly, in all material respects, the financial position of Satyam Computer Services Limited and its subsidiaries at March 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three year period ended March 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Price Waterhouse

Secunderabad, India

April 21, 2006

Satyam Computer Services Limited
Consolidated Balance Sheets
(Millions of US Dollars except per share data and as stated otherwise)

	As of March 31, 2006	As of March 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 292.8	$ 129.8
Investments in bank deposits	403.7	—
Accounts receivable, net of allowance for doubtful debts	220.0	160.9
Unbilled revenue on contracts	41.1	17.0
Deferred income taxes	12.2	9.1
Prepaid expenses and other receivables	48.9	16.1
Total current assets	**1,018.7**	**332.9**
Investments	—	—
Investments in bank deposits	—	411.6
Investments in associated companies	3.5	23.2
Premises and equipment, net	106.6	84.1
Goodwill, net	27.6	15.5
Intangible assets, net	6.6	—
Other assets	18.2	16.8
Total assets	**1,181.2**	**884.1**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term and current portion of long-term debt	6.5	4.8
Accounts payable	11.9	10.9
Accrued expenses and other current liabilities	108.9	64.8
Unearned and deferred revenue	11.8	5.6
Total current liabilities	**139.1**	**86.1**
Long-term debt, excluding current portion	17.9	1.2
Deferred income taxes	8.9	8.9
Total liabilities	**165.9**	**96.2**
Contingencies and Commitments (*Note No. 19*)		
Minority interest	0.9	—
Preferred Stock of Subsidiary		
0.05% Cumulative convertible redeemable preference shares, par value Rs.10 (US$0.22)* per share *(100 million preference shares authorized, 91,009,999 and 91,009,999 preference shares issued as of March 31, 2006 and 2005 respectively)*	20.0	20.0
Shareholders' equity		
Common stock — par value Rs.2 (US$0.04)* per equity share (*375 million equity shares authorized, 324,449,539 and 319,265,291 equity shares issued as of March 31, 2006 and 2005 respectively*)	17.6	17.4
Additional paid-in capital	465.1	433.6
Shares subscribed but unissued	0.4	0.1
Deferred stock-based compensation	(0.4)	(0.3)
Retained earnings	497.1	289.0
Accumulated other comprehensive income/(loss)	15.8	29.6
	995.6	**769.4**
Shares held by the SC-Trust under associate stock option plan *(1,193,140 and 1,424,340 equity shares as of March 31, 2006 and 2005 respectively)*	(1.2)	(1.5)
Total shareholders' equity	**994.4**	**767.9**
Total liabilities and shareholders' equity	**$1,181.2**	**$ 884.1**

* *The par value in US$ has been converted at the closing rate as of March 31, 2006, 1US$ = Rs 44.48*

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Consolidated Statements of Income
(Millions of US Dollars except per share data and as stated otherwise)

	Year Ended March 31,		
	2006	**2005**	**2004**
Revenues	$1,096.3	$ 793.6	$ 566.4
Cost of revenues	(689.0)	(506.8)	(343.6)
(*Includes stock-based compensation of US$Nil, US$0.8 and US$0.9 for the three years ended March 31, 2006, 2005 and 2004 respectively)*			
Gross profit	**407.3**	**286.8**	**222.8**
Selling, general and administrative expenses	(187.6)	(124.3)	(101.7)
(Includes stock-based compensation of US$0.8, US$1.1 and US$0.8 for the three years ended March 31, 2006, 2005 and 2004 respectively)			
Total operating expenses	**(187.6)**	**(124.3)**	**(101.7)**
Operating income	**219.7**	**162.5**	**121.1**
Interest income	26.3	22.3	20.3
Interest expense	(1.3)	(0.4)	(0.5)
Gain on sale of investments (Refer note 7)	43.6	—	2.7
Gain/(Loss) on foreign exchange transactions	0.3	(4.6)	(8.9)
Other income/(expense), net	(0.8)	0.4	2.3
Income before income taxes and equity in earnings/(losses) of associated companies	**287.8**	**180.2**	**137.0**
Income taxes	(37.7)	(25.3)	(22.5)
Minority interest	0.1	—	—
Income before equity in earnings/(losses) of associated companies	**250.2**	**154.9**	**114.5**
Equity in earnings/(losses) of associated companies, net of taxes	(0.8)	(1.1)	(2.6)
Net income	**$ 249.4**	**$ 153.8**	**$ 111.9**
Earnings per share:			
Basic	$ 0.78	$ 0.49	$ 0.36
Diluted	$ 0.75	$ 0.48	$ 0.35
Weighted average number of shares used in computing earnings per share (in millions)			
Basic	320.6	316.2	313.2
Diluted	331.4	323.6	317.1

The accompanying notes form an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Millions of US Dollars except per share data and as stated otherwise)

	Common Stock Shares	Common Stock Par Value	Additional paid-in capital	Shares subscribed but unissued	Deferred stock-based compensation	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
Balance as of March 31, 2003	**314,542,800**	**$ 17.1**	**$ 406.7**	**—**	**$ (0.9)**	**$ 87.1**	**$ (20.1)**	**$ (2.3)**	**$ 487.6**
Net income	—	—	—	—	—	111.9	—	—	111.9
Other comprehensive income				—					
Gain on foreign currency translation	—	—	—	—	—	—	49.5	—	49.5
Total Comprehensive income		—	—	—	—	—	—	—	**161.4**
Issuance of common stock	1,708,910	0.1	8.3	—	—	—	—	—	8.4
Shares subscribed but unissued	—	—	—	—	—	—	—	—	—
Gain on dilution of interest in associate company on its issuance of new shares, net of taxes	—	—	—	—	—	—	—	—	—
Deferred stock-based compensation	—	—	0.8	—	(0.8)	—	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	1.7	—	—	—	1.7
Shares transferred by SC-Trust to employees	—	—	0.4	—	—	—	—	0.6	1.0
Cash dividend paid at the rate of US$0.08 per share	—	—	—	—	—	(26.2)	—	—	(26.2)
Balance as of March 31, 2004	**316,251,710**	**$ 17.2**	**$ 416.2**	**—**	**—**	**$ 172.8**	**$ 29.4**	**$ (1.7)**	**$ 633.9**

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Millions of US Dollars except per share data and as stated otherwise)

	Common Stock Shares	Common Stock Par Value	Additional paid-in capital	Shares subscribed but unissued	Deferred stock-based compensation	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
Balance as of March 31, 2004	**316,251,710**	**$ 17.2**	**$ 416.2**	**—**	**—**	**$172.8**	**$ 29.4**	**$ (1.7)**	**$ 633.9**
Net income	—	—	—	—	—	153.8	—	—	153.8
Other comprehensive income									
Gain on foreign currency translation	—	—	—	—	—	—	0.2	—	0.2
Total Comprehensive income									**154.0**
Issuance of common stock	3,013,581	0.2	14.7	—	—	—	—	—	14.9
Shares subscribed but unissued	—	—	—	0.1	—	—	—	—	0.1
Gain on dilution of interest in associate company on its issuance of new shares, net of taxes	—	—	0.2	—	—	—	—	—	0.2
Deferred stock-based compensation	—	—	2.2	—	(2.2)	—	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	1.9	—	—	—	1.9
Shares transferred by SC-Trust to employees	—	—	0.3	—	—	—	—	0.2	0.5
Cash dividend paid at the rate of US$0.12 per share	—	—	—	—	—	(37.6)	—	—	(37.6)
Balance as of March 31, 2005	**319,265,291**	**$ 17.4**	**$ 433.6**	**$ 0.1**	**$ (0.3)**	**$289.0**	**$ 29.6**	**$ (1.5)**	**$ 767.9**

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Millions of US Dollars except per share data and as stated otherwise)

	Common Stock Shares	Common Stock Par Value	Additional paid-in capital	Shares subscribed but unissued	Deferred stock-based compensation	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
Balance as of March 31, 2005	**319,265,291**	**$ 17.4**	**$ 433.6**	**$ 0.1**	**$ (0.3)**	**$289.0**	**$ 29.6**	**$ (1.5)**	**$ 767.9**
Net income	—	—	—	—	—	249.4	—	—	249.4
Other comprehensive income/(loss)									
Loss on foreign currency translation	—	—	—	—	—	—	(13.8)	—	(13.8)
Total Comprehensive income									**235.6**
Issuance of common stock	5,184,248	0.2	30.3	(0.1)	—	—	—	—	30.4
Shares subscribed but unissued	—	—	—	0.4	—	—	—	—	0.4
Deferred stock based compensation	—	—	0.9	—	(0.9)	—	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	0.8	—	—	—	0.8
Shares transferred by SC-Trust to employees	—	—	0.3	—	—	—	—	0.3	0.6
Cash dividend paid at the rate of US$0.11 per share	—	—	—	—	—	(41.3)	—	—	(41.3)
Balance as of March 31, 2006	**324,449,539**	**$ 17.6**	**$ 465.1**	**$ 0.4**	**($0.4)**	**$497.1**	**$ 15.8**	**($1.2)**	**$ 994.4**

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Consolidated Statements of Cashflows
(Millions of US Dollars except per share data and as stated otherwise)

	Year ended March 31,		
	2006	**2005**	**2004**
Cash Flows From Operating Activities			
Net income	$ 249.4	$ 153.8	$ 111.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangible assets	31.5	25.0	24.4
Stock-based compensation	0.8	1.9	1.6
Deferred income taxes	(5.1)	(1.9)	(1.0)
Gain on sale of investments	(43.6)	—	(2.7)
Loss on sale of premises and equipment	0.2	0.3	0.3
Minority Interest	(0.1)	—	—
Equity in losses of associated companies, net of taxes	0.8	1.1	2.6
Changes in assets and liabilities:			
Accounts receivable, net and unbilled revenue on contracts	(81.9)	(40.7)	(22.5)
Prepaid expenses and other receivables, net	(31.7)	16.6	(24.7)
Other assets, net	(1.8)	(8.0)	5.0
Accounts payable	(2.5)	2.5	(4.2)
Accrued expenses and other current liabilities	40.6	17.2	(1.5)
Unearned and deferred revenue	6.1	3.5	—
Net cash provided by operating activities	**162.7**	**171.3**	**89.2**
Cash Flows From Investing Activities			
Proceeds from maturity of bank deposits	—	332.1	—
Investments in bank deposits	—	(411.5)	(45.4)
Purchase of premises and equipment	(54.1)	(39.0)	(16.7)
Proceeds from sale of premises and equipment	0.3	0.3	0.2
Payment for purchase of Citisoft Plc, net of cash acquired	(12.1)	—	—
Payment for purchase of Knowledge Dynamics Pte. Ltd., net of cash acquired	(1.6)	—	—
Purchase of investments	—	(7.6)	(4.2)
Proceeds from sale of investments	62.3	10.2	6.1
Net cash used in investing activities	**(5.2)**	**(115.5)**	**(60.0)**
Cash Flows From Financing Activities			
Proceeds from short-term debt	3.6	1.7	—
Repayments of short-term debt	(1.2)	—	(2.5)
Proceeds from long-term debt	16.3	0.2	1.7
Repayment of long-term debt	(2.7)	(2.2)	(3.4)
Issuance of common stock	31.0	15.4	9.4
Shares subscribed but unissued	0.4	0.1	—
Issuance of Preferred stock by subsidiary, net of issuance cost	—	9.5	9.4
Cash dividends paid	(41.3)	(37.6)	(26.2)
Net cash provided by/(used in) financing activities	**6.1**	**(12.9)**	**(11.6)**
Effect of exchange rate changes on cash and cash equivalents	(0.6)	0.2	6.9
Net change in cash and cash equivalents	**163.0**	**43.1**	**24.5**
Cash and cash equivalents at the beginning of the period	129.8	86.7	62.2
Cash and cash equivalents at the end of the period	**$ 292.8**	**$ 129.8**	**$ 86.7**
Supplementary information:			
Cash paid during the period for:			
Income taxes	$ 44.9	$ 25.4	$ 31.9
Interest	1.3	0.5	0.5
Non-cash items:			
Capital leases and hire purchase	$ 2.5	$ 2.0	$ 1.3
Deferred consideration for purchase of Citisoft Plc	3.1	—	—
Deferred consideration for purchase of Knowledge Dynamics Pte Ltd	1.5	—	—

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of Business

Satyam Computer Services Limited, its consolidated subsidiaries and associated companies (hereinafter referred to as "*Satyam*") are engaged in providing Information Technology ("IT") services and Business Process Outsourcing ("BPO") services. Satyam Computer Services Limited (hereinafter referred to as "*Satyam Computer Services*") is an IT services provider that uses global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. Satyam Computer Services was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. Satyam Computer Services has offshore development centers located throughout India that enable it to provide high quality and cost-effective solutions to clients. It also has offsite centers located in the United States, United Kingdom, Japan, Australia, Singapore, Malaysia, Dubai, Germany, Canada, China and Hungary. Satyam offers a comprehensive range of IT services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. Satyam Computer Services has established a diversified base of corporate customers in a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Nipuna Services Limited ("Nipuna") a wholly owned subsidiary of Satyam Computer Services is engaged in providing BPO services covering HR, Finance & Accounting, Customer Care (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

2. Summary of Significant Accounting Policies

a) Principles of Consolidation and Basis of Presentation

The consolidated financial statements of Satyam Computer Services and its majority owned domestic and foreign subsidiaries are prepared in accordance with generally accepted accounting principles applicable in the United States ("U.S. GAAP"). All significant inter-company balances and transactions are eliminated.

Minority interest in subsidiaries represents the minority shareholders' proportionate share of the net assets and the results of operations of Satyam's majority owned subsidiaries.

Satyam's investments in business entities in which it does not have control, but have the ability to exercise significant influence over operating and financial policies (generally 20—50 percent ownership), are referred to as associated companies and are accounted for by the equity method.

On occasion, a subsidiary or associated company accounted for by the equity method ("offering company") may issue its shares to third parties as either a public offering or private placement at per share amounts in excess of or less than Satyam's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in interest are recorded in additional paid-in capital. Gains or losses arising on the direct sales by Satyam of its investment in its subsidiaries or associated companies to third parties are recognized as income/(loss) in the statement of income. Such gains or losses are the difference between the sale proceeds and net carrying value of investments.

The excess of the cost over the underlying net equity of investments in subsidiaries and associated companies accounted for on equity basis is allocated to identifiable assets based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reported period. Examples of such estimates include: estimates of expected contract costs to be incurred to complete software development, allowance for doubtful debts, and future obligations under employee benefit plans, valuation allowances for deferred taxes, impairment of goodwill and useful lives of premises and equipment (fixed assets). Actual results could differ materially from those estimates.

c) Foreign Currency Translation

The accompanying consolidated financial statements are reported in U.S. dollars. The Indian rupee is the functional currency for Satyam Computer Services, its domestic subsidiaries and associated companies. However, the U.S. Dollar, Pound Sterling, Singapore Dollar and Renminbi are the functional currencies for its foreign subsidiaries located in U.S., UK, Singapore and China respectively. The translation of the functional currencies into U.S. dollars is performed for assets and liabilities using the current exchange rates in effect at the balance sheet date and for revenues, costs and expenses using average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income/ (loss), a separate component of shareholders' equity.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency at the exchange rates in effect at the balance sheet date. Revenues, costs and expenses are recorded using exchange rates prevailing on the date of transaction. Gains or losses resulting from foreign currency transactions are included in the statement of income.

d) Revenue Recognition

Revenues from IT services, which includes software development, system maintenance, package software implementation, engineering design services and e-Business consist of revenues earned from services performed either on a time-and-material basis or time bound fixed price engagements.

Revenues earned from services performed on a time-and-material basis are recognized as the services are performed. IT services performed on time bound fixed-price engagements; require accurate estimation of the costs which include salaries and related expenses of technical associates, related communication expenses, travel costs, scope and duration of each engagement. Revenue and the related costs for these projects are recognized on percentage of completion basis, with revisions to estimates reflected in the period in which changes become known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Revenues from BPO services consist of revenues from time-and-material services or time bound fixed price engagements. Revenues from time-and-material services are recognized as the services are performed. Revenues from BPO services are also on time bound fixed-price engagements, under which revenue is recognized using the percentage completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable and can be reasonably estimated.

Amounts included in the financial statements, which relate to recoverable costs and accrued profits not yet billed on contracts, are classified in current assets as "Unbilled revenue on contracts". Billings on uncompleted contracts in excess of accrued cost and accrued profit are classified in current liabilities under the heading "Unearned and deferred revenue". Satyam provides its clients with one to three months' warranty as post-sale support for its fixed price engagements. Satyam has not provided for any warranty costs for the for the years ended March 31, 2006, 2005 and 2004 as historically Satyam has not incurred any expenditure on account of warranties and since the customer is required to formally sign off on the work performed, any subsequent work is usually covered by an additional contract.

In accordance with Emerging Issues Task Force (EITF) 01-14 (formerly Topic D-103), "Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred", Satyam has accounted for reimbursements received for out-of-pocket expenses incurred as revenues in the statement of income.

e) Cash and Cash Equivalents

Satyam considers all highly liquid investments with an original maturity or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates their fair value due to the short maturity of the investments. Cash and claims to cash that are restricted as to withdrawal or use in the ordinary course of business are classified as other receivables under current assets, unless they are to be utilized for other than current operations in which case they are classified as other assets, non-current.

f) Premises, Equipment and Depreciation

Premises and equipment are stated at actual cost less accumulated depreciation. Assets under capital leases are stated at the present value of minimum lease payments. Depreciation is computed using the straight-line method over the estimated useful lives. Assets under capital leases and leasehold improvements are amortized straight-line over their estimated useful life or the lease term, as appropriate. Costs of application software for internal use are generally charged to income as incurred due to its estimated useful lives being relatively short, usually less than one year.

The cost and the accumulated depreciation for premises and equipment sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the statement of income. Interest related to the construction of qualifying assets is capitalized. Advances paid towards the acquisition of premises and equipment outstanding at each balance sheet date and the cost of premises and equipment not put to use before such date are disclosed as Assets under Construction.

g) Software Development Costs

Satyam capitalizes internally generated software development costs under the provisions of Statement of Financial Accounting (SFAS) 86, *"Accounting for Costs of Computer Software to be Sold, Leased or Otherwise Marketed."* Capitalization of computer software development cost begins upon the establishment of technological feasibility, which Satyam has defined as the completion of a prototype. Costs incurred prior to establishment of technological feasibility and other research and development expenses are charged to income as incurred. Costs incurred by Satyam between completion of the prototype and the point at which the product is ready for general release have been insignificant.

Research and development expenses charged to income amounted to US$0.5 million and US$0.6 million and US$0.6 million for the years ended March 31, 2006, 2005 and 2004 respectively.

h) Goodwill and Other Intangible Assets

Goodwill represents the difference between either a) the purchase price and the fair value of assets and liabilities acquired and/or b) the purchase price and additional interest in subsidiaries acquired from minority shareholders. Upto March 31, 2002, goodwill and other intangible assets including license fees were amortized over the useful lives principally over a period of 5 years based on management's estimate. Goodwill is tested for impairment annually and reviewed for triggering events when circumstances indicate that the carrying amount may not be recoverable, and written down when impaired, rather than being amortized as required by previous standards. Further in accordance with SFAS 142 purchased intangible assets other than goodwill are amortized over their useful lives unless these lives are determined to be indefinite.

i) Impairment of Long-lived Assets

Satyam accounts for impairment of long-lived assets in accordance with the provisions of SFAS 144 "*Accounting for the Impairment or Disposal of Long-Lived Assets*" on April 1, 2002. Satyam reviews long-lived assets, for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. Each impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset to its recorded value. If impairment is indicated, the asset is written down to its fair value. Assets to be disposed are reported at the lower of the carrying value or the fair value less cost to sell.

j) Investments

Satyam has evaluated its investment policies consistent with the provisions of SFAS 115, *"Accounting for Certain Investments in Debt and Equity Securities"*, and determined that all of its marketable investment securities are to be classified as available-for-sale. Accordingly, such securities are carried at fair value with unrealized gains and losses, net of taxes, reported as a separate component of other comprehensive income/(loss) until realized. Realized gains and losses and decline in value judged to be other-than-temporary are included in other income. The cost of securities sold is based on the first-in-first-out (FIFO) method. Interest and dividends on securities classified as available-for-sale are recognized when earned and included in other income. Other investments that are not marketable are carried at cost, subject to tests of other than temporary impairment.

k) Cost of Revenues and Selling, General and Administrative Expenses

Cost of revenues primarily include the compensation cost of technical staff, depreciation on dedicated assets and system and application software costs, amortization of intangibles, travel costs, data communication expenses and other expenses incurred that are related to the generation of revenue.

Selling, general and administrative expenses generally include the compensation costs of sales, management and administrative personnel, travel costs, advertising, business promotion, depreciation on assets, rent, repairs, electricity and other general expenses not attributable to cost of revenues.

l) Advertising Costs

Satyam expenses all advertising costs as incurred. Advertising costs charged to income amounted to US$2.2 million and US$1.1 million and US$1.0 million for the years ended March 31, 2006, 2005 and 2004 respectively.

m) Employee Benefits

i) Provident Fund

In accordance with Indian law, employees are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees' basic salary. Satyam has no further obligations under the plan beyond its monthly contributions. These contributions are made to the fund administered and managed by the Government of India. Satyam's monthly contributions are charged to income in the period they are incurred.

ii) Gratuity Plan

Satyam has a defined benefit retirement plan (the "Gratuity Plan") covering all its employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and years of employment with Satyam.

Satyam provides for the Gratuity Plan on the basis of actuarial valuation. The entire Gratuity Plan of Satyam Computer Services and Nipuna is unfunded.

iii) Superannuation Plan

In addition to the above benefits, the senior employees of Satyam Computer Services in India are entitled to receive benefits under the Superannuation Plan, a defined contribution plan. Satyam Computer Services makes yearly contributions under the Superannuation plan administered and managed by LIC, based on a specified percentage (presently 10.0%) of each covered employee's basic salary. Satyam Computer Services has no further obligations under the plan beyond its contributions.

iv) Other Benefit Plans

Satyam maintains a 401(k) retirement plan (the "401(k) Plan") covering all its employees in the United States. Each participant in the 401(k) Plan may elect to contribute up to 15.0% of his or her annual compensation to the 401(k) Plan. Satyam matches 50.0% of employee contributions, subject to a maximum of 3.0% of gross salary for all employees participating in the 401(k) plan. Effective October 1, 2003, Satyam Computer Services has discontinued its matching contribution under this plan.

n) Income Taxes

In accordance wit h the provisions of SFAS 109, *"Accounting for Income Taxes"*, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of enactment. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

o) Earnings Per Share

In accordance with the provisions of SFAS 128, *"Earnings Per Share"*, basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the "treasury stock" method for options and warrants, except where the results will be anti-dilutive.

p) Stock-Based Compensation

Satyam uses the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees"*, and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25,* issued in March 2000 to account for its employee stock-based compensation plan. Satyam has therefore adopted the pro-forma disclosure requirements of SFAS No. 123, *"Accounting for Stock-Based Compensation"* and SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123*. Pursuant to SFAS No. 123, all equity instruments issued to non-employees are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Pro forma disclosure

Had deferred stock-based compensation cost been recognized based on the fair value at the date of grant in accordance with SFAS 123, the pro forma amounts of Satyam's net income and earnings per share would have been as follows for the years ended March 31, 2006, 2005 and 2004 respectively.

(US$ in millions except per share data)

	Year ended March 31,		
	2006	**2005**	**2004**
Net Income			
—As reported	**$ 249.4**	**$ 153.8**	**$ 111.9**
Add: Charge under APB25	0.8	1.9	1.6
Less: Charge under FAS123	(22.2)	(22.6)	(25.2)
—Pro forma	**$ 228.0**	**$ 133.1**	**$ 88.3**
Earnings Per Share:			
Basic			
—As reported	$ 0.78	$ 0.49	$ 0.36
—Pro forma	$ 0.71	$ 0.42	$ 0.28
Diluted			
—As reported	$ 0.75	$ 0.48	$ 0.35
—Pro forma	$ 0.69	$ 0.41	$ 0.28

Note: The pro forma disclosures shown above are not representative of the effects on net income and earnings per share in future years.

The fair value of Satyam Computer Services' stock options used to compute pro forma net income and earnings per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model.

The following weighted average assumptions were used:

	Year ended March 31,		
	2006	**2005**	**2004**
Dividend yield	0.75%	0.75%	0.61%
Expected volatility	57.22%	61%	69%
Risk-free interest rate	7%	7%	7%
Expected term (in years)	1.26	2.03	2.69

q) Derivative financial instruments

Satyam has adopted the provisions of SFAS 133, "*Accounting for Derivative Instruments and Hedging Activities*" as amended. Satyam enters into foreign exchange forward and options contracts where the counter party is generally a bank. Satyam purchases foreign exchange forward and options contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in certain foreign currencies. These contracts do not qualify for hedge accounting under SFAS 133, as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS 133, as amended is marked to market and recognized in earnings immediately.

r) Recently issued accounting pronouncements

Share-Based Payments

On December 16, 2004, the FASB issued FAS 123R, "*Share-Based Payment, an amendment of FASB Statements No. 123 and 95*," that addressed the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. This statement eliminates the ability to account for share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, "*Accounting for Stock Issued to Employees*," and require that such transactions be accounted for using a fair-value-based method and recognized as expenses in our consolidated statement of income. The standard requires that the modified prospective method be used, which requires that the fair value of new awards granted from the beginning of the year of adoption (plus unvested awards at the date of adoption) be expensed over the vesting period. In addition, the statement encourages the use of the "binomial" approach to value stock options, which differs from the Black-Scholes option pricing model that we currently use in the footnotes to our consolidated financial statements.

The revised FAS 123R as issued by FASB will have a significant impact on our consolidated statement of income as Satyam Computer Services, our subsidiaries and our associated companies will be required to expense the fair value of our stock option grants rather than expensing the intrinsic value of stock options as is our current practice. FAS 123R will be applicable to Satyam for annual periods beginning after June 15, 2005.Management estimates the likely impact of SFAS 123R to be similar to the amounts disclosed as pro forma disclosures in accordance with SFAS 123.

Accounting Changes and Error Corrections

In May 2005, FASB Issued FAS No. 154, "Accounting Changes and Error Corrections — a replacement of APB No. 20 and FAS No. 3". FAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. FAS 154 also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by FAS 154. FAS 154 shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a material impact on Satyam's consolidated financial statements.

s) Reclassifications

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current period's presentation.

3. Acquisitions

a) Citisoft Plc.

On May 12, 2005, Satyam acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry since 1986. The results of Citisoft's operations have been consolidated by Satyam Computer Services from the consummation date of May 12, 2005. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for the 75% equity interest in Citisoft amounted to US$17.4 million comprising of an initial consideration of US$14.3 million (including direct acquisition costs of US$0.9 million) and deferred consideration (non-contingent) of US$3.1 million payable on April 30, 2006. Satyam Computer Services is also required to pay a maximum earn out consideration amounting to US$3.9 million on April 30, 2006 based on achievement of targeted revenues and profits. The deferred consideration for the acquisition of the 75% equity interest has been accounted for as part of the purchase consideration and shown as a current liability in the balance sheet. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved.

Satyam Computer Services has a call option and the minority shareholders have a put option to acquire / sell the balance 25% equity shares in two tranches 12.5% on April 30, 2007 and 12.5% on April 30, 2008. The consideration payable for the first tranche of 12.5% equity shares on April 30, 2007 would amount to US$2.8 million and a maximum earn-out consideration amounting to US$2.4 million based on achievement of targeted revenues and profits. The consideration payable for the second tranche of 12.5% equity shares on April 30, 2008 would amount to US$2.9 million and a maximum earn-out consideration amounting to US$3.7 million based on achievement of targeted revenues and profits. Satyam Computer Services records the put option at fair value at each balance sheet date, with the initial fair value of the put option included as part of the consideration for its 75.0% interest in Citisoft. The difference between the fair values at each valuation date is charged to selling, general and administration expenses in statement of income. On the basis of an independent valuation, the value of put option was US$ Nil and US$1.1 million as of May 12, 2005 and March 31, 2006 respectively.

Satyam Computer Services is also required to fund an Employee Benefit Trust ("EBT") formed by Citisoft for the purpose of providing additional incentive to employees to contribute to the success of Citisoft. Satyam is required to fund US$1.6 million on April 30, 2006 and a maximum of US$1.6 million each on April 30, 2007 and 2008 based on achievement of targeted revenues and profits. As of March 31, 2006 Satyam Computer Services has accrued US$1.4 million as a current liability and charged US$1.4 million to the statement of income as part of cost of revenues.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

		US$ in millions
Purchase price	**$**	**17.4**
Allocated to:		
Net current assets	$	2.2
Tangible assets		0.3
Customer Contracts related intangibles		0.8
Customer relationship related intangibles		5.4
Trade name		0.7
Goodwill		10.3
Deferred tax liability		(2.3)
Total	**$**	**17.4**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

b) Knowledge Dynamics Pte Ltd ("Knowledge Dynamics").

On July 21 2005, Satyam Computer Services announced its intention to acquire 100% of the shares of Knowledge Dynamics Pte Ltd, Singapore, ("Knowledge Dynamics"), a leading Data Warehousing and Business Intelligence Solutions provider. The transaction was consummated on October 1, 2005, the date of transfer of shares to Satyam Computer Services and Satyam Computer Services has consolidated Knowledge Dynamics Pte Ltd, Singapore, from October 1, 2005. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for this acquisition amounted to US$3.3 million comprising of initial consideration of US$1.8 million (including direct acquisition costs of $11 thousand) and deferred consideration (non-contingent) of US$0.8 million and US$0.7 million payable on April 30, 2006 and 2007 respectively. Satyam Computer Services is also required to pay a maximum earn out consideration amounting to US$0.3 million, US$0.8 million and US$1.1 million on April 30, 2006, 2007 and 2008 respectively based on the achievement of targeted revenues and profits. The total deferred consideration for the acquisition of US$1.5 million has been accounted for as part of the purchase consideration out of which US$0.8 million has been shown as a current liability and US$0.7 million as non current liability in the balance sheet. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

	US$ in millions
Purchase price	$ 3.3
Allocated to:	
Net current assets	$ 0.5
Tangible assets	—
Customer Contracts and Related Relationships	1.0
Trade name	0.1
Non-Compete agreements	—
Internally developed technology	—
Goodwill	2.1
Deferred tax liability	(0.4)
Total	**$ 3.3**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

4. Preferred Stock of Subsidiary

Nipuna issued 45,669,999 and 45,340,000 0.05% convertible redeemable cumulative preference shares of par value Rs 10 (US$0.22) per share in October 2003 and June 2004 respectively to the investors at an issue price of Rs.10 (US$0.22) per share, in exchange for an aggregate consideration of US$20 million.

As per the agreement, these preference shares are mandatorily convertible into equity shares of Nipuna no later than June 2006, if Nipuna achieves certain targets for revenues and profits earned up to March 31, 2006. If these targeted revenues and profits are not achieved by Nipuna along with other triggering events, the investors have an option to either redeem these preference shares or convert them. Although certain triggering events for early redemption as per the agreement have occurred during the period January 2004 to December 2004 the investors waived the right of early redemption.Further Nipuna has not achieved the targeted revenues and profits upto March 2006..

If not converted, early converted or redeemed, these convertible preference shares are redeemable on maturity in June 2007 at a redemption premium, which could range between 7.5% to 13.5% p.a. The Investors are entitled to receive dividends at the rate of 0.05% per cent per annum, on the face value of Rs. 10 (US$0.22) from the date of issuance of such Preference Shares. The dividends are cumulative and payable in cash at the rate indicated above, whether or not they have been declared and whether or not there are profits, surplus or other funds of Nipuna legally available for the payment of dividends. These preference shares rank senior to all classes of Nipuna's currently existing capital stock or established subsequently with respect to dividend distributions and repayment of capital and premium upon a Bankruptcy Event or Change in Control with respect to Nipuna, unless the terms and conditions of such class expressly provide that such class will rank senior to or on parity with the convertible redeemable cumulative preference shares. The dividend on the preference shares for the period ended March 31, 2006 is payable.

5. Investments

Investments of Satyam consist of available-for-sale securities ("AFS") and other non-marketable securities.

(US$ in millions)

	As of March 31, 2006	2005
Available-for-sale securities		
Cost and fair value	—	—
Other investments, at cost	**$ 3.7**	**$ 3.6**
Less: Provision for impairment	(3.7)	(3.6)
Investments — Non current	**—**	**—**

Satyam records an investment impairment charge on other non-marketable investments, which are carried at cost, when management believes an investment has experienced a decline in value that is judged to be other than temporary. Satyam monitors its investments for impairment by considering current factors including economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the investment. Based on its assessment of its carrying values of investments, Satyam impaired the entire carrying value of other non-marketable investments as of March 31, 2003 due to adverse changes in the above factors.

6. Investments in bank deposits

Investments in bank deposits represents term deposits placed with banks earning fixed rate of interest and amounted to US$403.7 million and US$411.6 million as of March 31, 2006 and 2005 respectively with maturities from more than three months to two years. Interest on investments in bank deposits is recognized on accrual basis.

7. Investments in associated companies

The carrying values of investments in various associated companies of Satyam are as follows:

(US$ in millions)

	As of March 31,	
	2006	2005
Sify	—	$ 20.4
Satyam Venture	2.7	2.0
CA Satyam	0.8	0.8
Total	**$ 3.5**	**$ 23.2**

Sify

During the year ended March 31, 2004, due to the sale of new shares by Sify to VentureTech and sale of 1 million Indian equity shares by Satyam Computer Services as per the sponsored ADS program of Sify, Satyam Computer Services' ownership interest in Sify was reduced from 37.15% as at March 31, 2003 to 32.04% as at March 31, 2004. Further, due to the issue of shares by Sify to its employees under Sify's ESOP plan the ownership interest of Satyam Computer Services in Sify reduced from 32.04% as at March 31, 2004 to 31.61% as at September 30, 2005.

On November 7, 2005, Satyam Computer Services offered to sell an aggregate of 11,182,600 equity shares, representing its entire investment of 31.61% of the outstanding equity shares of Sify. The sale transaction was consummated on November 9, 2005 at a sale price of US$5.60 per equity share aggregating to US$62.3 million.

Satyam Computer Services accounted for its share of equity in earnings/(losses) of Sify under equity method of accounting upto November 9, 2005. The excess of sale proceeds (net of transaction costs) over the carrying value of investment in Sify as on the date of sale amounting to US$43.6 million has been recognized as gain in the statement of income during the year ended March 31, 2006.

The summarized financial information as to assets, liabilities and results of operations of Sify is presented below:

(US$ in millions)

	As of March 31,	
Balance sheet	**2005**	**2004**
Current assets	$ 51.9	$ 49.3
Non-current assets	40.2	38.2
Current liabilities	33.3	23.6
Net current asset	18.6	25.7
Shareholders' equity	57.3	62.6

(US$ in millions)

	Period ended	Year ended March 31,	
Statement of operations	**November 9, 2005**	**2005**	**2004**
Revenues	$ 60.2	$ 82.8	$ 61.1
Gross profit	25.7	36.4	28.9
Operating loss	7.2	10.4	12.9
Net loss	5.3	7.1	8.0

Satyam Computer Services' equity in loss of Sify, net of taxes amounted to US$1.3 million, US$1.7 million and US$2.2 million for the years ended March 31, 2006, 2005 and 2004 respectively.

Satyam Venture

On October 28, 1999, Satyam Computer Services entered into an agreement with Venture Industries, USA ("Venture") to form an equally held joint venture company Satyam Venture Engineering Services Private Limited. ("Satyam Venture"). Satyam Computer Services holds 50% in Satyam Venture. The joint venture was formed on January 3, 2000 at Hyderabad, India. Satyam Venture is engaged in providing engineering solutions, software development and customization services specifically for the automotive industries worldwide. Satyam Computer Services' equity in the profit of Satyam Venture, net of taxes amounted to US$0.5 million, US$0.7 million and US$3 thousand for the years ended March 31, 2006, 2005 and 2004 respectively.

CA Satyam

On December 29, 2000, Satyam Computer Services entered into an agreement with Computer Associates International, Inc. ("CA") to form an equally held joint venture company CA Satyam ASP Private Limited ("CA Satyam"). Satyam Computer Services holds 50% in CA Satyam. The joint venture was formed in January 2001, at Mumbai, India. As per the agreement, both Satyam Computer Services and CA have invested US$1.5 million each in the joint venture. Satyam Computer Services equity in the loss of CA Satyam, net of taxes amounted to US$15 thousand, US$0.1 million and US$0.4 million for the years ended March 31, 2006, 2005 and 2004 respectively.

8. Premises, Equipment and Depreciation

Premises and equipment at cost less accumulated depreciation consist of:

(US$ in millions)

	As of March 31,	
	2006	**2005**
Freehold land	$ 7.0	$ 6.1
Leasehold land	1.8	1.9
Premises	23.6	14.3
Computers including servers	109.7	99.8
System software	21.0	15.8
Office equipment	61.6	51.0
Furniture and fixtures	40.1	31.9
Vehicles	7.0	5.6
Assets under construction	19.9	16.1
Total	**291.7**	**242.5**
Less: Accumulated depreciation	(185.1)	(158.4)
Premises and equipment, net	**$ 106.6**	**$ 84.1**

Satyam has established the estimated useful lives of assets for depreciation purposes as follows:

Premises	28 years
Computers including servers	2 —5 years
System Software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation expense amounted to US$30.6 million, US$25.0 million and US$24.4 million for the years ended March 31, 2006, 2005 and 2004 respectively.

9. Goodwill

Goodwill consists of:

(US$ in millions)

	As of March 31, 2006	2005
Goodwill		
Acquisition of Citisoft Plc	$ 10.5	—
Acquisition of Knowledge Dynamics Pte Ltd	2.0	—
Acquisition of minority interest in		
Satyam Enterprise Solutions Limited	23.1	$ 23.6
Satyam Technologies Inc.	3.6	3.7
Total	**39.2**	**27.3**
Less: Accumulated amortization	(11.6)	(11.8)
Goodwill, net	**$ 27.6**	**$ 15.5**

The following table presents the reconciliation of changes in carrying values of goodwill:

(US$ in millions)

	Year ended March 31, 2006	2005	2004
Goodwill at the beginning of the year	**$ 15.5**	**$ 15.5**	**$ 14.2**
Acquisitions during the year	12.4	—	—
Impairment during the year	—	—	—
Change due to foreign exchange	(0.3)	—	1.3
Goodwill at the end of the year	**$ 27.6**	**$ 15.5**	**$ 15.5**

Goodwill represents the excess of amount paid towards purchase price and non-refundable deposit over the fair value of assets acquired, and relates to the acquisition of the minority interest in Satyam Enterprise Solutions Limited and Satyam Technologies Inc., and majority interest in Citisoft Plc. and Knowledge Dynamics Pte Ltd., by Satyam Computer Services. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may not be recoverable as provided under FAS 142. Currently there is no impairment of goodwill; however, there can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

10. Intangible assets, net

Intangible assets consist of:

(US$ in millions)

Acquired and amortized intangible assets	As of March 31, 2006 Weighted average life (in years)	Gross carrying amount	Accumulated amortization	Net intangible assets	As of March 31, 2005 Gross carrying amount	Accumulated amortization	Net intangible assets
Citisoft Plc							
a) Customer Relationship	8	$4.9	$(0.6)	$4.3	—	—	—
b) Customer Contracts	6	0.8	(0.1)	0.7	—	—	—
c) Trade name	5	0.6	(0.1)	0.5	—	—	—
Total		**$6.3**	**$(0.8)**	**$5.5**	**—**	**—**	**—**
Knowledge Dynamics Pte Ltd							
a) Customer Contracts and Related Relationships	9	$1.0	$(0.1)	$0.9			
b) Non-Compete agreements	5	0.1	—	0.1			
c.) Trade name	3	—	—	—			
d.) Internally developed technology	3	0.1	—	0.1	—	—	—
Total		**$1.2**	**$(0.1)**	**$1.1**	**—**	**—**	**—**

During the year the Company has not recognized any impairment of other intangible assets. The Company has adopted the provisions of SFAS No. 141 and 142, and has accordingly assessed the remaining useful lives of identified intangibles with definite useful lives and provides for amortization over the determined useful life of the asset. The Company does not have any intangible assets with indefinite useful life.

The following table presents the reconciliation of changes in carrying values of other intangible assets:

			(US$ in millions)
			Year ended March 31,
	2006	**2005**	**2004**
Identifiable intangibles at the beginning of the year	—	—	—
Acquisitions during the year	$ 8.0	—	—
Amortization during the year	(0.9)	—	—
Change due to foreign exchange	(0.5)	—	—
Identifiable intangibles at the end of the year	**$ 6.6**	—	—

The following table gives details of Satyam's total other intangible assets

The expected future annual amortization expense of other intangible assets is as follows:

	US$ in millions
Estimated amortization expense:	
For the year ended March 31,	
2007	1.1
2008	1.1
2009	1.0
2010	1.0
2011	0.9
Beyond 2011	1.5

11. Income Taxes

The income tax expense consists of:

			(US$ in millions)
			Year ended March 31,
	2006	**2005**	**2004**
Foreign taxes			
Current	$ 15.4	$ 18.1	$ 20.2
Deferred	(0.8)	(0.6)	0.3
Domestic taxes			
Current	27.4	9.1	3.3
Deferred	(4.3)	(1.3)	(1.3)
Aggregate taxes	**$ 37.7**	**$ 25.3**	**$ 22.5**

A reconciliation of the income tax expense to the amount computed by applying the statutory income tax rate to income before income tax expense is summarized below:

			(US$ in millions)
			Year ended March 31,
	2006	**2005**	**2004**
Net income before taxes	**$ 287.8**	**$ 180.2**	**$ 137.0**
Enacted tax rates in India	33.66%	36.59%	35.88%
Computed tax expense	**$ 96.9**	**$ 65.9**	**$ 49.2**
Tax effect due to non-taxable export income	(75.3)	(52.7)	(38.2)
Difference arising from different tax rates in other tax jurisdictions	10.2	5.5	7.0
Difference arising from different tax rates on gain on sale of investment	(7.0)	—	(0.6)
Stock- based compensation (non-deductible)	0.3	0.7	0.6
Changes in valuation allowance, including losses of subsidiaries	5.4	3.5	0.8
Effect of tax rate change	0.1	—	—
Others	7.1	2.4	3.7
Income taxes recognized in the statement of income	**$ 37.7**	**$ 25.3**	**$ 22.5**

The current provision for income taxes, net of payments, were US$8.5 million and US$10.7 million as of March 31, 2006 and 2005 respectively. The foreign taxes are due to income taxes payable in overseas tax jurisdictions by its offsite and onsite centers, principally in the United States. Satyam Computer Services benefits from tax incentive provided to software entities as an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operations of software development facilities designated as "Software Technology Parks" ("STP units"). The benefit of this tax incentive has historically resulted in an effective tax rate for Satyam Computer Services well below statutory rates. In case of Satyam Computer Services for various registered STP units these exemptions expire starting from fiscal 2006 through fiscal 2010. Satyam Computer Services subsidiaries are subject to income taxes of the countries in which they operate.

Satyam has not recognized deferred income taxes arising on income of Satyam Computer Services due to the tax benefit available to it in the form of a exemption from taxable income, except to the extent of timing differences which reverse after the tax holiday period or unless they reverse under foreign taxes. However, Satyam Computer Services earns certain other income and domestic income, which are taxable irrespective of the tax holiday as stated above.

Significant components of activities that gave rise to deferred tax assets and liabilities included in the financial statements are as follows:

(US$ in millions)

	As of March 31,	
	2006	**2005**
Deferred tax assets:		
Operating loss carry forwards	$ 24.0	$ 21.1
Provision for accounts receivable, advances and investments	5.7	5.3
Premises and equipment	0.5	0.4
Provision for gratuity and unutilized leaves	6.5	3.8
Gross deferred tax assets	**36.6**	**30.6**
Less: Valuation allowance	(24.0)	(21.1)
Total deferred tax assets	**12.7**	**9.5**
Deferred tax liabilities:		
Premises and equipment	(6.4)	(3.5)
Provision for accounts receivable and advances	(2.8)	(2.6)
Intangibles	(2.2)	—
Investments in associated companies and gain on dilution	(0.3)	(5.4)
Total deferred tax liabilities	**(11.7)**	**(11.5)**
Net deferred tax assets/ (liabilities)	**$ 1.0**	**$ (2.0)**

Satyam has not provided for any deferred income taxes on undistributed earnings of foreign subsidiaries due to the losses incurred by them since their inception. These losses aggregated to approximately US$37.8 million and US$36.4 million as of March 31, 2006 and 2005 respectively.

Operating loss carry forwards for tax purposes of Satyam amounts to approximately US$24.0 million and US$21.1 million as of March 31, 2006 and 2005 respectively and are available as an offset against future taxable income of such entities. These carry forwards expire at various dates primarily over 8 to 20 years. Realization is dependent on such subsidiaries generating sufficient taxable income prior to expiration of the loss carry forwards. A valuation allowance is established attributable to deferred tax assets and loss carry forwards in subsidiaries where, based on available evidence, it is more likely than not that they will not be realized.

Net deferred tax asset/ (liabilities) included in the consolidated balance sheets are as follows:

(US$ in millions)	As of March 31,	
	2006	2005
Current assets — deferred income taxes	$12.2	$ 9.1
Non-current assets — other assets*	0.5	0.4
Current liabilities — accrued expenses and other liabilities*	(2.8)	(2.6)
Long-term liabilities — deferred income taxes	(8.9)	(8.9)
Net deferred tax asset/ (liabilities)	**$ 1.0**	**$(2.0)**

* *Included in "other assets" and "accrued expenses and other liabilities" respectively.*

12. Borrowings

Short-term debt

Short-term debt amounted to US$4.1 million and US$1.7 million as of March 31, 2006 and 2005 respectively. Short-term debt represents export packing credit facility of Nipuna at floating rate of interest of LIBOR+0.25% which is secured by a charge on book debts, accounts receivable and other moveable assets. The weighted-average interest rate on this borrowing was 5.33% and 3.61% for the years ended March 31, 2006 and 2005 respectively.

Long-term debt

Long-term debt outstanding comprise of:

(US$ in millions)	As of March 31,	
	2006	2005
Secured debts, representing obligation principally to banks and financial institutions		
— 10.25% Rupee loans of SC-Trust, maturing serially through fiscal 2008	$ 1.3	$ 1.9
— 0.95% above 6 month LIBOR working capital term loan maturing serially through fiscal 2009	5.6	—
— 0.95% above 6 month LIBOR external commercial borrowing maturing serially through fiscal 2009	10.5	—
Hire Purchase Loans	2.9	2.4
Total Debt	**20.3**	**4.3**
Less: Current portion of long-term debt	(2.4)	(3.1)
Long-term debt, net of current portion	**$ 17.9**	**$ 1.2**

Rupee loans are secured by equity shares of Satyam Computer Services' held by the SC-Trust. In 2003, SC-Trust has repaid its rupee loans maturing in January 2004 and March 2004, amounting to US$1.2 million and US$1.4 million, respectively, with an interest rate of 13% p.a. and has replaced them with new rupee loans in same principal amounts with a fixed interest rate of 10.75% p.a. maturing in July 2005.The SC-Trust has further renewed these upto September 2007 with a revised interest rate of 10.25%.

Aggregate maturities of long-term debt subsequent to March 31, 2006, are US$2.4 million in fiscal 2007, US$1.6 million in fiscal 2008 and US$16.3 million in fiscal 2009.

Unused lines of credit

Unused lines of credit comprise of:

(US$ in millions)	As of March 31,	
	2006	2005
Short-term debt	$ 3.8	$ 3.4
Long-term debt	3.9	20.0
Non-fund facilities	4.4	14.1
Total Unused lines of credit	**$ 12.1**	**$ 37.5**

On January 6, 2005, Nipuna obtained a credit facility from a bank for long term borrowings to the extent of US$20 million with an interest rate of 0.95% above 6 month LIBOR. Satyam Computer Services has given a corporate guarantee to the bank for the borrowing. As per the terms of the facility, Nipuna was required to draw the funds prior to September 30, 2005 and Nipuna has got a further extension upto June 30, 2006. The borrowing is repayable in 3 years from each draw down of the borrowing. As of March 31, 2006, Nipuna has availed US$16.1 million under the above arrangement.

13. Employee Benefits

The Gratuity Plan

The following table sets forth the status of the Gratuity Plan of Satyam, and the amounts recognized in Satyam's consolidated balance sheets and statements of income.

(US$ in millions)

	Year ended March 31,		
	2006	**2005**	**2004**
Accumulated benefit obligation	**$ 5.7**	**$ 2.6**	**$ 1.9**
Change in projected benefit obligation			
Projected benefit obligation at beginning of the period	$ 5.2	$ 4.0	$ 2.5
Service cost	1.9	1.5	0.9
Interest cost	0.4	0.3	0.2
Actuarial loss/(gain)	0.9	(0.3)	0.3
Benefits paid	(0.5)	(0.3)	(0.2)
Effect of exchange rate changes	(0.1)	—	0.3
Projected benefit obligation at end of the period	**7.8**	**5.2**	**4.0**
Change in plan assets			
Employer contribution	0.5	0.3	0.2
Benefits paid from plan assets	(0.5)	(0.3)	(0.2)
Fair value of plan assets at end of the period	—	—	—
Funded status of the plans	**(7.8)**	**(5.2)**	**(4.0)**
Unrecognized net actuarial loss	1.3	0.4	1.2
Amount recognized during the period	—	—	—
Accrued benefit cost	**$ (6.5)**	**$ (4.8)**	**$ (2.8)**
The components of net gratuity costs are reflected below:			
Service cost	1.9	$ 1.5	$ 0.9
Interest cost	0.4	0.3	0.2
Amortization	—	—	—
Amount recognized during the period	—	—	—
Net gratuity costs	**$ 2.3**	**$ 1.8**	**$ 1.1**

The assumptions used in accounting for the gratuity plan for the years ended March 31, 2006, 2005 and 2004 are set out below:

Weighted-average assumptions used to determine benefit obligations:

	Year ended March 31,		
	2006	**2005**	**2004**
Discount rate	8%	8.0%	7.0%
Long-term rate of compensation increase	7%	7.0%	7.0%

Weighted-average assumptions used to determine net periodic benefit cost:

	Year ended March 31,		
	2006	**2005**	**2004**
Discount rate	8%	7.0%	7.0%
Long-term rate of compensation increase	7%	7.0%	7.0%

Cash Flows

Satyam expects to contribute US$1.5 million to its Gratuity plan during the year ending March 31, 2007. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(US$ in millions)

For the financial year ended March 31,	Expected contribution
2008	$ 1.7
2009	2.0
2010	2.5
2011	3.1
2012 — 2015	13.0

Provident Fund

Satyam's contribution towards the Provident Fund amounted to US$10.7 million, US$6.8 million and US$3.4 million for the years ended March 31, 2006, 2005 and 2004 respectively.

Superannuation Plan

Satyam Computer Services' contribution towards the Superannuation Plan maintained by LIC amounted to US$1.2 million, US$0.9 million and US$0.4 million for the years ended March 31, 2006, 2005 and 2004 respectively.

14. Earnings per Share

Basic earning per share is computed on the basis of the weighted average number of shares outstanding (weighted average number of shares issued less unallocated, unvested and unexercised shares held by the SC — Trust). Allocated but unvested or unexercised shares not included in the calculation of weighted-average shares outstanding for basic earnings per share were 53,300 and 240,500 as of March 31, 2006 and 2005 respectively. Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding plus the effect of outstanding stock options using the "treasury stock" method.

In addition to the above, the unallocated shares held by SC — Trust, which are by definition unvested, have been excluded from all earnings per share calculations. Such shares amounted to 1,139,840 and 1,183,840 as of March 31, 2006 and 2005 respectively.

The components of basic and diluted earnings per share were as follows:

(US$ in millions except per share data)			
	Year ended March 31,		
	2006	**2005**	**2004**
Net income	**$ 249.4**	**$ 153.8**	**$ 111.9**
Equity Shares:			
Average outstanding shares (in millions)	320.6	316.2	313.2
Dilutive effect of Associate Stock Options (in millions)	10.8	7.4	3.9
Share and share equivalents (in millions)	**331.4**	**323.6**	**317.1**
Earnings per share			
Basic	$ 0.78	$ 0.49	$ 0.36
Diluted	$ 0.75	$ 0.48	$ 0.35

15. Stock-based Compensation Plans

ASOP plan

In May 1998, Satyam Computer Services established its Associate Stock Option Plan (the “ASOP plan”), which provided for the issue of 13,000,000 shares, as adjusted to eligible associates. Satyam Computer Services issued warrants to purchase these shares to a controlled associate welfare trust called the Satyam Associate Trust (the “SC-Trust”). In December 1999 the SC-Trust exercised all its warrants to purchase Satyam Computer Services shares prior to the stock split using the proceeds obtained from bank loans. As and when the SC-Trust issues warrants to eligible associates, the difference between the market price and the exercise price is accounted as deferred stock based compensation and amortized over the vesting period. The warrants vest immediately or vest over a period ranging from two to three years, depending on the associate’s length of service and performance. Upon vesting, associates have 30 days in which to exercise these warrants. As of March 31, 2006, warrants (net of lapsed and cancelled) to purchase 11,849,860 equity shares have been granted to associates pursuant to ASOP since inception.

ASOP B plan

In April 2000, Satyam Computer Services established its Associate Stock Option Plan B (the “ASOP B”) and reserved warrants for 41,727,140 shares to be issued to eligible associates with the intention to issue the warrants at the market price of the underlying equity shares on the date of the grant. These warrants vest over a period ranging from two to four years, starting with 20% in second year, 30% in the third year and 50% in the fourth year. Upon vesting, associates have 5 years to exercise these warrants. As of March 31, 2006, options (net of lapsed and cancelled) to purchase 31,381,633 equity shares have been granted to associates under this plan since inception.

ASOP ADS plan

In May 2000, Satyam Computer Services established its Associate Stock Option Plan (ADS) (the ‘ASOP (ADS)’) to be administered by the Administrator of the ASOP (ADS) which is a committee appointed by the Board of Directors of Satyam Computer Services and reserved 2,574,665 ADSs (5,149,330 shares) to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the grant date. These warrants vest over a period of 1-10 years from the grant date. As of March 31, 2006, warrants (net of lapsed and cancelled) for 1,660,971 ADSs representing 3,321,942 equity shares have been granted to associates under the ASOP ADS since inception.

Warrant grants

During the year ended March 31, 2006, the SC-Trust issued immediately vesting warrants for 13,200 shares and warrants for 30,800 (net of Nil warrants cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the year ended March 31, 2006, under the ASOP B plan, Satyam Computer Services issued warrants for 492,181 (net of 2,797,595 warrants cancelled) shares to the associates. During the same period, under the ASOP (ADS), Satyam Computer Services issued warrants for 69,993 ADS representing 139,986 (net of warrants for 90,222 ADS representing 180,444 shares cancelled) shares to associates under the ASOP (ADS) plan.

During the year ended March 31, 2005, the SC-Trust issued immediately vesting warrants for 50,840 and warrants for 384,500 (net of nil warrants cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the year, under the ASOP B plan, Satyam Computer Services issued warrants for 11,957,233 (net of 2,248,524 warrants cancelled) shares to the associates. During the year, under the ASOP (ADS), Satyam Computer Services issued warrants for 2,64,560 ADS representing 529,120 (net of warrants for 102,164 ADS representing 204,328 shares cancelled) shares to associates under the ASOP (ADS) plan.

During the year ended March 31, 2004, the SC-Trust issued immediately vesting warrants for 92,500 and warrants for 89,500 (net of 11,700 warrants cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the year, under the ASOP B plan, Satyam Computer Services issued warrants for 4,465,271 (net of 645,528 shares cancelled) shares to the associates During the year, under the ASOP (ADS), Satyam Computer Services issued warrants for 63,143 ADS representing 126,286 (net of warrants for 64,200 ADS representing 128,400 shares cancelled) shares to associates under the ASOP (ADS) plan.

Changes in number of equity shares representing stock options outstanding for each of the plans were as follows:

	Year ended March 31,					
	2006		2005		2004	
ASOP Plan	**Number of equity shares**	**Weighted Average Exercise Price**	**Number of equity shares**	**Weighted Average Exercise Price**	**Number of equity shares**	**Weighted Average Exercise Price**
Balance at the beginning of the year	**240,500**	**$ 2.35**	**58,200**	**$ 1.99**	**1,167,380**	**$ 1.31**
Granted	44,000	$ 2.74	435,340	$ 2.24	193,700	$ 1.68
Exercised	(231,200)	$ 2.26	(253,040)	$ 2.09	(523,140)	$ 1.81
Cancelled	—	—	—	—	(11,700)	$ 1.90
Lapsed	—	—	—	—	(768,040)	$ 1.18
Balance at the end of the year	**53,300**	**$ 2.83**	**240,500**	**$ 2.35**	**58,200**	**$ 1.99**
Exercisable at the end of the year	—	—	—	—	4,600	$ 1.81
Weighted average fair value of options granted during the year	44,000	$ 12.15	435,340	$ 7.65	193,700	$ 8.72

	Year ended March 31,					
	2006		2005		2004	
ASOP B	**Number of equity shares**	**Weighted Average Exercise Price**	**Number of equity shares**	**Weighted Average Exercise Price**	**Number of equity shares**	**Weighted Average Exercise Price**
Balance at the beginning of the year	**26,830,315**	**$ 7.14**	**17,510,481**	**$ 6.05**	**14,464,148**	**$ 5.33**
Granted	3,289,776	$ 9.41	14,205,757	$ 8.06	5,110,799	$ 6.33
Exercised	(4,519,802)	$ 6.10	(2,637,399)	$ 5.02	(1,418,938)	$ 5.09
Cancelled	(2,797,595)	$ 7.54	(2,248,524)	$ 6.67	(645,528)	$ 5.53
Balance at the end of the year	**22,802,694**	**$ 7.47**	**26,830,315**	**$ 7.14**	**17,510,481**	**$ 6.05**
Exercisable at the end of the year	5,124,404	$ 6.86	5,695,198	$ 6.76	4,517,111	$ 6.31
Weighted average fair value of options granted during the year	3,289,776	$ 9.41	14,205,757	$ 8.06	5,110,799	$ 6.33

ASOP (ADS)	2006 Number of equity shares	2006 Weighted Average Exercise Price	2005 Number of equity shares	2005 Weighted Average Exercise Price	2004 Number of equity shares	2004 Weighted Average Exercise Price
Balance at the beginning of the year	**2,515,802**	**$ 7.42**	**2,362,864**	**$ 5.92**	**2,526,550**	**$ 5.08**
Granted	320,430	$ 11.48	733,448	$ 11.42	254,686	$ 8.65
Exercised	(664,446)	$ 5.38	(376,182)	$ 5.41	(289,972)	$ 5.42
Cancelled	(180,444)	$ 14.81	(204,328)	$ 7.82	(128,400)	$ 5.41
Balance at the end of the year	**1,991,342**	**$ 8.49**	**2,515,802**	**$ 7.42**	**2,362,864**	**$ 5.92**
Exercisable at the end of the year	932,882	$ 5.93	713,700	$ 5.43	343,506	$ 4.91
Weighted average fair value of options granted during the year	320,430	$ 11.48	733,448	$ 11.42	254,686	$ 8.65

Year ended March 31.

Information about number of equity shares representing stock options outstanding as on March 31, 2006:

Range of Exercise Price (per equity share)		Outstanding: Weighted Average Exercise Price (per equity share)	Outstanding: Weighted Average remaining contractual life	Outstanding: Number of equity shares arising out of options	Exercisable: Weighted Average Exercise Price (per equity share)	Exercisable: Number of equity shares arising out of options
Rs 111.68- Rs 236.95	$ 2.51- $ 5.33	Rs 210.24 $ 4.73	0.48	4,710,074	Rs 211.34 $ 4.75	2,475,018
Rs 236.96- Rs 554.53	$ 5.33- $ 12.47	Rs 364.10- $ 8.19	1.02	19,860,179	Rs 349.36 $ 7.85	3,471,231
Rs 554.54- Rs 716.06	$12.47- $ 16.10	Rs 621.64- $13.98	1.46	277,083	Rs 625.39 $14.06	111,037

The US$ numbers in the above tables have been translated using the closing exchange rate as of March 31, 2006 1US$= Rs 44.48

Stock based compensation plan of Nipuna

In April 2004, Nipuna established its Employee Stock Option Plan (the "ESOP"). As per the ESOP, the options were granted at fair value as determined by an independent valuer as on the date of the grant and hence no compensation cost has been recognized. These options vest starting with 33.33% at the end of the second year, 33.33% at the end of the third year and remaining 33.34% at the end of the fourth year from the date of grant.

During the year ended March 31, 2006 Nipuna issued options for 1,215,506 equity shares at weighted average exercise price of Rs.80 (US$1.78) being the fair market value per share. No options were exercised during the period.

Deferred Stock-based compensation

Satyam Computer Services recognized deferred stock-based compensation of US$0.9 million, US$2.2 million and US$0.8 million for the years ended March 31, 2006, 2005 and 2004 respectively. Satyam Computer Services amortized and charged to income US$0.8 million, US$1.9 million and US$1.7 million for the years ended March 31, 2006, 2005 and 2004 respectively.

Pursuant to APB 25, deferred stock-based compensation has been computed as of grant date based on the difference between the exercise price of the warrants and the market price of underlying shares of Satyam Computer Services. Deferred stock compensation is amortized on a graded vesting basis over the vesting period of the warrants.

16. Segmental Reporting

Satyam has adopted SFAS 131; *"Disclosures about Segments of an Enterprise and Related Information"* which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on stand-alone revenues and net income for the companies in Satyam. Upto March 31, 2005, Satyam provided segmental disclosures based on three business groups: IT services, Business Process Outsourcing, and Software Products. Subsequent to March 31, 2005, executive management evaluates Satyam's operating segments based on the following two-business groups, since the revenues from Software Product segment are no longer meaningful and management does not evaluate this segment any longer:

- *IT services*, providing a comprehensive range of services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions, infrastructure management services. Satyam provides its customers the ability to meet all of their information technology needs from one service provider. Satyam's eBusiness services include designing, developing integrating and maintaining Internet-based applications, such as eCommerce websites, and implementing packaged software applications, such as customer or supply chain management software applications. Satyam also assists its customers in making their existing computing systems accessible over the Internet. The segment information for the year ended March 31, 2006 includes the results of Citisoft and Knowledge Dynamics which were acquired during the year.
- *Business Process Outsourcing,* providing BPO services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

Satyam's operating segment information for the years ended March 31, 2006, 2005 and 2004 are as follows:

Business Segments

(US$ in millions)

	IT Services	BPO	Elimination	Consolidated totals
For the year ended March 31, 2006				
Revenue — External customers	$1,082.7	$ 13.6	—	$ 1,096.3
Revenue — Inter-segment	0.8	6.4	(7.2)	—
Total Revenues	**1,083.5**	**20.0**	**(7.2)**	**1096.3**
Operating income / (loss)	228.5	(8.8)	—	219.7
Equity in earnings/(losses) of associated companies, net of taxes	(0.8)	—	—	(0.8)
Net income / (loss)	259.0	(9.6)	—	249.4
Segment assets	1,170.8	27.7	(17.3)	1,181.2
Depreciation and amortization	29.0	2.5	—	31.5
Capital expenditures for long-lived assets	53.4	3.2	—	56.6
For the year ended March 31, 2005				
Revenue — External customers	$ 786.7	$ 6.9	—	$ 793.6
Revenue — Inter-segment	0.7	3.1	$ (3.8)	—
Total Revenues	**787.4**	**10.0**	**(3.8)**	**793.6**
Operating income / (loss)	171.8	(9.3)	—	162.5
Equity in earnings/(losses) of associated companies, net of taxes	(1.1)	—	—	(1.1)
Net income / (loss)	163.7	(9.9)	—	153.8
Segment assets	885.2	16.1	(17.2)	884.1
Depreciation	23.4	1.6	—	25.0
Capital expenditures for long-lived assets	37.4	3.7	—	41.1

	IT Services	BPO	Elimination	Consolidated totals
For the year ended March 31, 2004				
Revenue — External customers	$ 565.1	$ 1.3	—	$ 566.4
Revenue — Inter-segment	0.5	1.1	$ (1.6)	—
Total Revenues	**565.6**	**2.4**	**(1.6)**	**566.4**
Operating income	125.2	(4.1)	—	121.1
Equity in earnings/(losses) of associated companies, net of taxes	(2.6)	—	—	(2.6)
Net income	116.0	(4.1)	—	111.9
Segment assets	719.3	9.9	(15.4)	713.8
Depreciation	24.0	0.4	—	24.4
Capital expenditures for long-lived assets	15.6	2.5	—	18.1

The capital expenditures for long-lived assets in the above table represent the additions to premises and equipment (fixed assets) of each segment.

Geographic Information

The revenues that are attributable to countries based on location of customers and long-lived assets are as follows:

(US$ in millions)

	Year ended March 31,					
	2006		2005		2004	
	Revenues from external customers	Long-lived assets	Revenues from external customers	Long-lived assets	Revenues from external customers	Long-lived assets
North America	$ 711.2	$ 4.0	$ 542.4	$ 4.0	$ 414.9	$ 4.0
Europe	206.3	0.9	131.7	0.6	77.8	0.5
India	45.1	133.1	27.2	92.2	16.1	77.5
Japan	15.5	0.5	13.9	0.5	11.1	0.2
Rest of the World	118.2	2.3	78.4	2.3	46.5	1.8
Total	**$ 1,096.3**	**$ 140.8**	**$ 793.6**	**$ 99.6**	**$ 566.4**	**$ 84.0**

The long-lived assets in the above table represent premises and equipment and intangible assets of each segment.

17. Related Party Transactions

Related party transactions comprise of

(US$ in millions)

	Year ended March 31,		
	2006	2005	2004
Infrastructure and other services provided by Satyam to			
Sify, its subsidiaries and associated companies	—	$ 0.1	$ 0.1
Satyam Venture	$ 0.5	0.3	1.2
Short term advance provided by Satyam to			
CA Satyam	0.1	—	—
Total	**$ 0.6**	**$ 0.4**	**$ 1.3**
Infrastructure and other services received by Satyam from			
Sify, its subsidiaries and associated companies	$ 2.9	$ 1.5	$ 1.4
Satyam Venture	8.6	7.1	5.4
Total	**$ 11.5**	**$ 8.6**	**$ 6.8**

The balances receivable from and payable to related parties are as follows:

	(US$ in millions)	
	As of March 31,	
Amount due from/(to) associated companies	**2006**	**2005**
Satyam Venture	$ (1.8)	$ (3.1)
CA Satyam	0.1	—
Total	**$ (1.7)**	**$ (3.1)**

18. Shareholders' Equity-Dividends

Final dividends proposed by the Board of Directors are payable when formally declared by the shareholders, who have the right to decrease but not increase the amount of the dividend recommended by the Board of Directors. The Board of Directors declares interim dividends without the need for shareholders' approval.

Dividends payable to equity shareholders are based on the net income available for distribution as reported in Satyam Computer Services unconsolidated financial statements prepared in accordance with Indian GAAP. As such, dividends are declared and paid in Indian Rupees. The net income in accordance with U.S. GAAP may, in certain years, either not be fully available or will be additionally available for distribution to equity shareholders. Under Indian GAAP the retained earnings available for distribution to equity shareholders was US$786.9 million, US$559.8 million and US$422.7 million for the years ended March 31, 2006, 2005 and 2004 respectively.

Under the Indian Companies Act, dividends may be paid out of the profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10.0% of the par value of its equity shares, a company is required to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10.0%, depending on the dividend percentage to be declared in such year.

19. Contingencies and Commitments

a) Funding and Warrant commitments — Nipuna

Satyam Computer Services has guaranteed payment of all sums payable by Nipuna to the Investors on redemption of the 0.05% cumulative convertible redeemable preference shares. Further Satyam Computer Services is required to subscribe to convertible debentures amounting to US$20 million based on certain provisions in the agreement. These convertible debentures shall bear an interest rate equal to the prime lending rate of the State Bank of India prevailing at that time and are convertible upon the election of Nipuna into Ordinary Shares at any time after issuance.

Satyam Computer Services, Nipuna and the investors have also entered into a warrant agreement whereby Nipuna agrees to issue to the Investors, one warrant in consideration of and based upon every US$0.1 million referral revenues received by Nipuna or its subsidiaries at any time during the period commencing from the date of initial closing and ending in June 2007 from business referred to Nipuna or its subsidiaries by an investor or its affiliates. These warrants are convertible into ordinary equity shares of Nipuna subject to a maximum of 7.5% of the then outstanding equity share capital of Nipuna on a fully diluted basis during the exercise period at the price per share then in effect and subject to other terms and conditions set forth in the agreement. As of March 31, 2006, there were no referral revenues and hence no warrants have been issued.

b) Citisoft Plc and Knowledge Dynamics Pte Ltd.

For commitments relating to Citisoft and Knowledge Dynamics refer note 3.

c) Bank guarantees

Bank guarantees outstanding are US$13.4 million and US$8.2 million as of March 31, 2006 and 2005 respectively. Bank guarantees are generally provided to government agencies, excise and customs authorities for the purposes of maintaining a bonded warehouse. These guarantees may be revoked by the governmental agencies if they suffer any losses or damage through the breach of any of the covenants contained in the agreements.

d) Capital commitments

Contractual commitments for capital expenditure pending execution were US$26.7 million and US$8.8 million as of March 31, 2006 and 2005 respectively. Contractual commitments for capital expenditures are relating to acquisition of premises and equipment.

e) Operating leases

Satyam has certain operating leases for land, office premises and guesthouses. Rental expenses for operating leases are accounted for on a straight line method. Rental expense amounted to US$17.5 million, US$12.5 million and US$9.1 million for the years ended March 31, 2006, 2005 and 2004 respectively.

Future minimum annual lease commitments for non-cancelable lease arrangements, including those leases for which renewal options may be exercised as of March 31, 2006 are US$4.1 million in fiscal 2007, US$2.4 million in fiscal 2008, US$0.6 million in fiscal 2009, US$1.0 million in fiscal 2010 and thereafter.

20. Concentration of Credit Risk

Accounts receivable balances are typically unsecured and are derived from revenues earned from customers primarily located in the United States. Satyam monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. The following table gives details in respect of percentage of revenues generated from top two and top five customers:

	Year ended March 31,		
	2006	2005	2004
Revenues generated from top two customers			
Customer I	8.80%	10.81%	14.28%
Customer II	5.14%	7.35%	9.92%
Total revenues from top five customers	24.21%	29.21%	36.45%

21. Financial Instruments

Forward and options contracts

Satyam Computer Services enters into foreign exchange forward and options contracts where the counter party is generally a bank. Satyam Computer Services considers the risks of non-performance by the counter party as not material.

The following tables give details in respect of our outstanding foreign exchange forward and options contracts:

(US$ in millions)

	As of March 31,	
	2006	2005
Aggregate contracted principal amounts of contracts outstanding:		
Forward contracts	$ 79.0	$ 160.0
Options contracts	137.0	141.5
Total	**$ 216.0**	**$ 301.5**
Balance sheet exposure:		
Forward contracts	$ 0.4	$ 1.0
Options contracts	(1.8)	0.1
Total	**$ (1.4)**	**$ 1.1**

The outstanding foreign exchange forward and options contracts as of March 31, 2006 mature between one to eleven months.

Gains/(losses) on foreign exchange forward and options contracts included under the head other income/(expense) in the statement of income are as stated below:

(US$ in millions)

	Year ended March 31,		
	2006	2005	2004
Forward contracts	$ 0.8	$ (0.5)	$ 2.4
Options contracts	(1.6)	0.2	—
Total	**$ (0.8)**	**$ (0.3)**	**$ 2.4**

Fair value

The carrying amounts reported in the balance sheets for cash and cash equivalents, trade and other receivables, investments, amounts due to or from related parties, short-term debts, accounts payable and other liabilities approximate their respective fair values due to their short maturity and due to no change in the interest rates for bank deposits. The approximate fair value of long-term debts, as determined by using current interest rates was US$20.3 million and US$4.3 million as of March 31, 2006 and 2005 respectively as compared to the carrying amounts of US$20.3 million and US$4.3 million as of March 31, 2006 and 2005 respectively.

22. Schedules of Balance sheet

a) Cash and Cash Equivalents

The cash and cash equivalents consist of:

(US$ in millions)

	As of March 31,	
	2006	2005
Cash and bank balances	$ 258.9	$ 128.1
Cash equivalents	33.9	1.7
Cash and cash equivalents	**$ 292.8**	**$ 129.8**

b) Accounts receivable and allowance for doubtful debts

Accounts receivable consist of:

(US$ in millions)

	As of March 31,	
	2006	2005
Customers (trade)	$ 238.1	$ 178.3
Related parties	1.0	0.1
Less: Allowance for doubtful debts	(19.1)	(17.5)
Accounts receivable	**$ 220.0**	**$ 160.9**

The allowance for doubtful debt is established at amounts considered to be appropriate based primarily upon Satyam's past credit loss experience and an evaluation of potential losses on the outstanding receivable balances.

c) Prepaid Expenses and Other Receivables

Prepaid expenses and other receivables consist of:

(US$ in millions)

	As of March 31,	
	2006	2005
Interest accrued on bank deposits	$ 24.9	—
Prepaid expenses	5.3	$ 4.4
Directors liability insurance	0.4	0.4
Advance for expenses	12.0	5.6
Loans and advance to employees	6.2	4.7
Other advances and receivables	2.4	2.7
Less: Allowance for doubtful advances	(2.3)	(1.7)
Prepaid expenses and other receivables	**$ 48.9**	**$ 16.1**

Prepaid expenses principally include the un-expired portion of annual rentals paid for use of leased telecommunication lines, satellite link charges, and insurance premiums.

Others advances and receivables include the current portion of the restricted cash in the form of deposits placed with banks to obtain bank guarantees amounted to US$0.4 million and US$30 thousand as of March 31, 2006 and 2005 respectively.

d) Other Assets

Other assets consist of:

(US$ in millions)

	As of March 31, 2006	As of March 31, 2005
Interest accrued on bank deposits	—	$ 5.6
Deposits	$ 17.0	9.6
Loans and advances to employees due after one year	0.8	0.9
Deferred taxes on income	0.5	0.4
Others	1.4	1.8
Less: Allowance for doubtful advances	(1.5)	(1.5)
Other Assets	**$ 18.2**	**$ 16.8**

Others include the non-current portion of the restricted cash in the form of deposits placed with banks to obtain bank guarantees amounted to US$0.7 million and US$0.3 million as of March 31, 2006 and 2005 respectively. Telephone and other deposits are primarily attributable to deposits with government organizations principally to obtain leased telephone lines and electricity supplies and advance payments to vendors for the supply of goods and rendering of services.

e) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of:

(US$ in millions)

	As of March 31, 2006	As of March 31, 2005
Accrued expenses	$ 56.3	$ 28.3
Unclaimed dividend	1.1	1.0
Provision for taxation, net of payments	8.5	10.7
Provision for gratuity and unutilised leave	16.9	9.5
Deferred taxes on income	2.8	2.6
Others	23.3	12.7
Accrued expenses and other current liabilities	**$ 108.9**	**$ 64.8**

23. Subsequent event:

Satyam Computer Services had filed a request for arbitration with the London Court of International Arbitration ("LCIA") naming Venture Global Engineering LLC, USA ("VGE") as respondent. The Arbitration concerned a dispute between Satyam Computer Services and VGE in connection with their joint venture Satyam Venture Engineering Services Private Limited ("SVES").

The LCIA Arbitrator issued his Final Award on April 3, 2006 in favour of Satyam Computer Services. Satyam Computer Services has filed a petition to recognize and enforce the Award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois.

Satyam Computer Services Limited
Financial Statement Schedule

Financial Statement Schedule —Valuation and qualifying accounts

1. Change in valuation allowance on deferred tax assets:

(US$ in millions)

	Year ended March 31,		
	2006	**2005**	**2004**
At the beginning of the year	$ 21.1	$ 17.6	$ 15.3
Change during the year	3.3	3.5	0.8
Change due to foreign exchange	(0.4)	—	1.5
At the end of the year	**$ 24.0**	**$ 21.1**	**$ 17.6**

2. Allowance for doubtful accounts on trade accounts receivable:

(US$ in millions)

	Year ended March 31,		
	2006	**2005**	**2004**
At the beginning of the year	$ 17.5	$ 13.9	$ 9.2
Additions	4.2	7.5	6.3
Write offs, net of recoveries	(2.2)	(3.8)	(2.7)
Change due to foreign exchange	(0.4)	(0.1)	1.1
At the end of the year	**$ 19.1**	**$ 17.5**	**$ 13.9**

3. Allowance for doubtful advances:

a) Prepaid Expenses and Other Receivables

(US$ in millions)

	Year ended March 31,		
	2006	**2005**	**2004**
At the beginning of the year	$ 1.7	$ 1.6	$ 1.2
Additions	0.6	0.1	0.3
Write offs, net of recoveries	—	—	—
Change due to foreign exchange	—	—	0.1
At the end of the year	**$ 2.3**	**$ 1.7**	**$ 1.6**

b) Other Assets

(US$ in millions)

	Year ended March 31,		
	2006	**2005**	**2004**
At the beginning of the year	$ 1.5	$ 1.5	$ 1.4
Additions	—	—	—
Write offs, net of recoveries	—	—	—
Change due to foreign exchange	—	—	0.1
At the end of the year	**$ 1.5**	**$ 1.5**	**$ 1.5**

Exhibit 4.2

SATYAM COMPUTER SERVICES LIMITED
SECUNDERABAD 500 003

ASSOCIATE STOCK OPTION PLAN B

1. **OBJECTIVE**

i. In its continuing efforts to create participative environment contributing to the growth of associates as part of the corporate growth plans, SATYAM COMPUTER SERVICES LIMITED (SATYAM) formulated new Associate Stock Option Plan “B”, (ASOP ‘B’), pursuant to the enabling authority given by the members of SATYAM in its General Meeting held on 28th May, 1999.

ii. The plan is aimed at the following:

- Rewarding the associates for their performance and contribution to the success and growth of SATYAM.
- Providing them with a good and attractive motivational tool to improve their performance.
- Providing an opportunity for the professional partners to become financial partners in the Equity of SATYAM.
- Retaining the talent and services of the associates who have contributed to the success of SATYAM.
- Attracting the right talent for right roles

iii. This plan will be effective from such a date as decided by the Board of Directors.

2. **DEFINITIONS**

In this plan, unless the context otherwise requires

i. “Associate” means Employee of SATYAM on full time, in the regular service and includes full time employees of subsidiary companies or Parent Company of SATYAM including a director of the Company, whether a wholetime director or not.

ii. “Board of Directors” means the “Board of Directors of SATYAM”

iii. “Compensation Committee” means a committee of directors constituted and authorised by the “Board of Directors” of SATYAM consisting of a majority of independent directors

iv. “Eligible Associate” means an Employee who fulfills the criteria fixed for eligibility to the benefits of the Plan as per the Appraisal process of SATYAM

However, that Sri B Ramalinga Raju and Sri B Rama Raju who are the promoter directors of SATYAM will not be eligible for the benefits of the Plan.

v. “Exercise” means the act of making of an application by the Associate to SATYAM for issue of shares against option vested in him in pursuance of the ASOP’B”.

vi. “Exercise Period” means the period after vesting within which the employee should exercise his right to apply for shares against the option vested in him in pursuance of ASOP ‘B’. Such period shall be after 12 months from the date of Grant of Options to the Associate but within 60 months from the date of Vesting of Options in the Associate provided the Contract of Service between the Associate and the Company has not ceased. Options not exercised by Associates before the expiry of the Exercise period will lapse and become void for all purposes.

vii. “Exercise Price” means the Exercise Price determined by the Compensation Committee from time to time in accordance with the notifications, guidelines and clarifications issued by SEBI or any other statutory authority from time to time as applicable, which shall be paid by the Associate at the time of Exercise.

viii. “Grant” means the act of issue of option to Associates under “ASOP’B’”.

ix. “Fair Market Value” / “Market Price” of a share on a date means the closing price of the shares on that date on the stock exchange on which the shares of SATYAM are listed. Where the shares are quoted on more than one stock exchange, then the stock exchange where there is highest trading volume on that date shall be considered. In case the share price is not quoted on any given date, the share price on the next trading day on the same parameters would be the Market price.

x. “Option” means a right but not an obligation granted to an Associate in pursuance of ASOP’B’ to apply for shares of the Company at a pre-determined price on fulfillment of certain conditions.

xi. “Option Agreement” means a written or typed or printed or electronic agreement between SATYAM and the Optionee giving the terms and conditions of ASOP’B’

xii. “Optionee” means the holder of an outstanding Option granted pursuant to ASOP’B’.

xiii. “Plan” means “Associate Stock Option Plan ‘B’” for Associates.

xiv. “SATYAM” means “Satyam Computer Services Limited”.

xv. “Share” means equity share of SATYAM

xvi. “Vesting” means the process by which the Associate is given the right to apply for shares of SATYAM against the option granted to him in pursuance of ASOP’B’.

xvii. “Vesting period” means the period during which the vesting of the option granted to the Associate in pursuance of ASOP’B’ takes place.

3. **COMPENSATION COMMITTEE**

i. A Compensation Committee shall be constituted by the Board of Directors of SATYAM consisting of not more than 3 directors for administration and superintendent of the ASOP’B’.

ii. The majority of the members of the Compensation Committee formed by the Board shall consist of independent directors of the Company.

4. **FUNCTIONS OF THE COMPENSATION COMMITTEE**

i. The Compensation Committee shall formulate the detailed terms and conditions of the ASOP’B’ including:

- the Exercise Price from time to time
- The date of grant for each or a group of cases
- Selection of the Associates for the benefits of the ASOP’B’ among the eligible Associates from time to time
- Finalising the quantum of options to be granted to each Associate for each such option
- Determining the vesting and Exercise periods
- Procedure for Exercise after vesting within Exercise Period
- Approval of forms for use under the ASOP’B’
- Prescribe, amend and rescind rules and regulations of the ASOP’B’
- Clarify, interpret and advise on the terms of the ASOP’B’
- Conditions under which Option vested in Associate may lapse in case of cessation of service for misconduct, termination,

resignation or otherwise, non-exercise of option within the exercise period etc.

- The procedure for making a fair and reasonable adjustment to the number of options and to the Exercise Price in case of Rights Issue, Bonus Issues and other corporate actions such as Consolidation or Split.
- The grant, vest and exercise of option in case of employees who are on long leave
- The procedure for cashless exercise of options

Notwithstanding anything contained above, the Compensation Committee shall have power to alter, waive, modify, extend or change the vesting and/or Exercise period at its sole discretion subject to 9.1 clause dealing with minimum vesting period.

ii. The Compensation Committee can delegate its function(s) to ASOP Advisory Board which shall discharge those function(s) guided by the principles of fairness, impartiality and natural justice and make its recommendations to Compensation Committee.

iii. The decisions, determinations, interpretations of the Compensation Committee shall be final and binding on all Associates and are not subject to review or appeal at the request/demand of Associates.

5. **QUANTUM OF THE ASOP'B'**

i. The maximum number of shares which will be subject to Options and granted under ASOP'B" are 26,00,000 shares of face value of Rs.10 each. The shares may be authorised but unissued or reacquired.

ii. The Board will make allotment of shares at its meetings duly convened, at periodic intervals, after the optionee exercises the conversion option before the end of exercise period.

iii. The quantum and the exercise price of the ASOP'B' can be suitably adjusted based on fair and reasonable grounds in case of rights, bonus or any other corporate actions including consolidation or split.

iv. In case of an Option expiring or becoming unexercisable for reasons of non-fulfillment of conditions of ASOP'B' without the right of purchase being exercised, such options shall be available for future grant or sale under ASOP'B' unless the plan has been terminated. The shares that are already issued on exercise of right can not be returned to the ASOP'B' and shall not be available for future grant or sale.

6. **FUNCTIONS OF ASOP ADVISORY BOARD**

i. The Advisory Board will study and assess the eligible Associates, based on the guidelines for assessment formulated as part of the plan from time to time by the Compensation Committee and make recommendations of identified Associates to the Compensation Committee.

ii. The Advisory Board shall have the right to exclude any one from the list of eligible Associates, from being identified for the benefits of ASOP 'B'.

iii. The recommendations of the ASOP Advisory Board shall be forwarded to the Compensation Committee for its consideration and final decision.

iv. The ASOP Advisory Board can exercise any other functions as and when they are delegated to it by the Compensation Committee.

7. **BASIS OF SELECTION BY ADVISORY BOARD**

i. Basis of selection out of eligible Associates shall be as per the guidelines framed and approved by the Compensation Committee from time to time.

ii. The factors to be considered for assessment of Associates for selection shall be:

- Performance
- Organisational Development
- Customer Satisfaction

iii. The Compensation Committee shall have power to add or delete the factors from time to time at its sole discretion.

iv. The weightage to the factors mentioned in 7.2 and any addition or deletion to the list of factors shall be decided by the Compensation Committee initially and shall be reviewed periodically for implementation by the Advisory Board.

v. The Compensation committee shall also determine the minimum scoring that an Associate in each category has to score to be considered for the benefits of the scheme.

vi. The Compensation Committee reserves the right to factor different parameters and different weightages for different categories of the Associates.

vii. The Advisory Board shall recommend the quantum of eligibility to shares for different categories of Associates on the basis of identified parameters and in terms of the scoring of the Associates in the assessment.

viii. The Advisory Board can also recommend Associates for awards for exceptional performance and/or contribution for the organisational growth for consideration by the Compensation committee.

ix. The Advisory Board can also recommend new Associates joining Satyam to the benefits of the scheme.

x. The ASOP Advisory Board shall seek the guidance and clarifications if any required, from the Compensation Committee in implementing the assessment procedure.

8. **GRANT OF OPTIONS**

i. The Compensation Committee may, on such dates it shall determine, grant to such Eligible Associates as it may, at its absolute discretion select, such Options of SATYAM on such terms and conditions and for the consideration as it may decide. The compensation Committee may consider the recommendations of the Advisory Board, while it reserves its right to reject the recommendations of the Advisory Board in part or in full.

ii. The date of Grant of an Option, shall, for all purposes, be the date on which the Compensation Committee makes the determinations of granting such Option, or such other date as is determined by the Compensation Committee. Intimation of determination shall be given to each Associate to whom an Option is so granted within a reasonable time after the date of such grant.

iii. The Intimation of Stock Options Grant shall indicate the Options granted, name of the Associate who was granted the Options, Exercise price per share, Vesting Schedule and the Exercise Period, along with main terms and conditions of the Grant.

iv. The intimation of Stock Options Grant shall also include the term of each Option, subject to the condition that the term shall be no more than five (5) years from the date of vesting thereof.

v. No Associate shall be granted Options to purchase more than or equaling 1% of the issued capital of the company (excluding outstanding warrants and conversions), at the time of grant of option, during any one year.

vi. The Plan shall become effective from the date of its adoption by the Board of Directors of SATYAM. It shall continue in effect till all the

Options granted under the Plan are exercised or have been extinguished or unless the Plan is terminated.

9. **LOCK-IN PERIOD AND RIGHTS OF THE OPTION-HOLDER**

   i. There shall be a minimum period of one year between the grant of options and vesting of option.

   ii. The vesting period and Exercise Period for different Options for Different Associates shall be determined by the Compensation Committee

   iii. The Compensation Committee shall have the freedom to specify the lock-in period for the shares issued pursuant to exercise of option.

   iv. The Associate shall not have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of option granted to him, till shares are issued on exercise of option.

10. **OPTION EXERCISE PRICE**

   i. The Exercise Price per share to be issued upon Exercise of an Option shall be such prices as is determined by the Compensation Committee.

   ii. Such Exercise price can be different for each associate or each group of associates at the sole discretion of the Compensation Committee.

   iii. The method and mode of payment of the Exercise Price for shares to be issued on exercise of options will be decided by the Compensation Committee at the time of grant. The mode of payment can be in (I) cash (ii) cheque (iii) Demand Draft (iv) Electronic transfer of funds or (v) consideration received by the Company under a cash less Exercise program implemented / to be implemented by the Company in connection with the Plan or (vi) any combination of them.

   iv. The Exercise Price shall be subject to fair and reasonable adjustment in case of rights issues, bonus issues and other corporate actions. The Compensation Committee shall be the authority to take such decisions.

11. **EXERCISE OPTION**

   i. Associates opting for Exercise can apply for conversion of Options into shares in the form prescribed for the purpose, along with full payment for the shares with respect to which the Option is being exercised.

   ii. Exercise of Options can not be for a fraction of a share.

   iii. Associates may at their discretion, opt for Exercise after the expiry of vesting period, but within the Exercise Period of all or part of the Options granted to him/her.

   iv. Associates who do not want to avail ASOP'B', may opt out of the scheme any time before Exercise Period and surrender the Options to SATYAM for cancellation. Such options will be available for re-issuance under the ASOP'B'.

12. **SHARES AFTER CONVERSION**

   i. After completion of the Exercise Process, shares will be issued in the name of the Associate, after completion of the required formalities as required by law

   ii. The shares transferred to the Associate after conversion from warrants, shall be the absolute property of the Associate and will be held by the Associate, subject to the lock-in period and subject to lien favouring SATYAM for any statutory liability that may arise out of the ASOP.

   iii. As a registered shareholder, the Associate will be entitled to all the benefits, which may accrue to him such as dividends, bonus, rights, etc.

   iv. Shares issued as bonus shares or rights shares after conversion into shares, after lock in period, will not be subjected to any lock in period.

   v. The shares arising on conversion shall rank pari passu with all other equity shares of SATYAM for the time being in force; from the date of allotment.

13. **CONSEQUENCE OF FAILURE TO EXERCISE OPTION**

i. The amount paid by the Associate, if any, at the time of grant of option, may be refunded to the employee if the options are not vested due to non- fulfillment of condition(s) relating to vesting of option as per the ASOP'B' at the sole discretion of the Compensation Committee.

14. **NON TRANSFERABILITY OF OPTION**

i. Option granted to an Associate shall not be transferable to any person.

ii. No person other than the Associate to whom the option is granted shall be entitled to exercise the option.

iii. Under the cashless system of exercise, SATYAM may itself fund or permit the empanelled stock brokers to fund the payment of exercise price which shall be adjusted against the sale proceeds of some or all the shares, subject to the provisions of the Companies Act, 1956 as amended from time to time.

iv. The option granted to the Associate shall not be pledged hypothecated, mortgaged or otherwise alienated in any other manner.

v. In the event of the Associate dying in harness while in employment, all the options granted to him till such date shall vest in the legal heirs or nominees of the deceased Associate on the date of death. Such vested Options shall be exercisable within twelve (12) months from the date of death of the Associate, but not earlier to ONE YEAR from the date of grant. Options not exercised within such period will become invalid in the hands of the legal heirs or nominees and shall be available for re-issuance under the Plan.

vi. In case the Associate suffers a permanent incapacity while in employment, all the option granted to him as on the date of permanent incapacitation, shall vest in him on that day. Such vested Options shall be exercisable within twelve (12) months from the date of Disability of the Associate, but not earlier to ONE YEAR from the date of grant.. Options not exercised within such period will become invalid and shall be available for re-issuance under the Plan.

vii. In the event of resignation or termination of the Associate, all options not vested as on that day shall expire. However, the Associate shall be entitled to retain all the vested options as on the date of such resignation, termination. Such vested options shall be exercisable within three (3) months from the last working day Options not exercised within such period will become invalid and shall be available for re-issuance under the Plan.

viii. In the event of superannuation/retirement, the vesting schedule for the options granted during the period of employment shall continue. In case of death of a superannuated or retired Associate, all the outstanding options as on that date shall vest immediately in the legal heirs or nominee(s) of the deceased and such vested options shall be exercisable within twelve (12) months from the date of death of the superannuated or retired Associate, but not earlier to one year from the date of grant. Options not exercised within such period become invalid in the hands of legal heirs or nominees and shall be available for reissuance under the plan.

15. **LISTING OF SHARES**

i. The shares allotted to Associates on conversion shall be listed on the stock exchanges subject to the terms and conditions of this scheme and terms and conditions of the listing agreement.

16. **TAX LIABILITY**

    i. Any tax liability on account of Grant of Options / Vesting / Exercise of Options/ allotment of shares/ transfer of shares shall be that of the Associate alone.

17. **MODIFICATIONS TO THE SCHEME**

    i. The Compensation Committee reserves the right to change the terms and conditions of the scheme, at any time, at its discretion.

    ii. Such changes in terms and conditions as per clause 18.1 can also be due to any change in the law applicable to the scheme or any mutual agreement between SATYAM and its Associates.

18. **CONTRACT OF EMPLOYMENT**

    i. This scheme shall not form part of any contract of employment between SATYAM and the Associate. The rights and obligations of any individual under the contract of employment shall not be affected by his participation in this scheme or any right, which he may have to participate in it.

    ii. Nothing in this scheme shall afford any Associate any additional right(s) as to compensation or damages in consequence of the termination of such office or employment for any reason.

    iii. This scheme shall not confer any Associate any legal or equitable right against SATYAM either directly or indirectly or give rise to any cause of action in law or equity against SATYAM.

19. **GOVERNMENT REGULATIONS**

    i. This scheme is subject to all applicable laws, rules, regulations, guidelines and to such approvals from any governmental agencies as may be required. In case of any contradiction between the provisions of this Scheme and any provisions, rules, regulations, guidelines issued by any governmental agencies, the provisions of law shall override the provisions of this scheme.

    ii. The Associates who are granted warrants/ shares under the scheme shall comply with such requirements of law as may be necessary.

20. **GENERAL RISKS**

    i. SATYAM does not guarantee any return on the equity investment made by Associates as part of the scheme. Any loss due to fluctuations in the market price of the equity including the shortfall in the expectations or projections and the risks associated with the investment are that of the Associate alone.

Exhibit 4.3

SATYAM COMPUTER SERVICES LIMITED
SECUNDERABAD 500 003

Associate Stock Option Plan(ADS)

2000 EQUITY INCENTIVE ASOP (ADS)

1. Purposes of the ASOP (ADS)

1.1 In its continuing efforts to create participative environment contributing to the growth of associates as part of the corporate growth Plan, SATYAM COMPUTER SERVICES LIMITED (SATYAM) formulated new Associate Stock Option ASOP (ADS), (ASOP (ADS)).

1.2 The ASOP (ADS) is aimed at the following :

- Rewarding the associates for their performance and contribution to the success and growth of SATYAM.
- Providing them with a good and attractive motivational tool to improve their performance.
- Providing an opportunity for the professional partners to become financial partners in the Equity of SATYAM.
- Retaining the talent and services of the associates who have contributed to the success of SATYAM.
- Attracting the right talent for right roles

2. Definitions. As used herein, the following definitions shall apply:

(a) “Administrator” means the Board or any of its Committees responsible for the general administration of the ASOP (ADS) in accordance with Section 4 hereof.

(b) “Applicable Laws” means the legal requirements relating to stock Option ASOP (ADS), including, without limitation, the tax, securities or corporate laws of India, any stock exchange or quotation on which the ADSs are listed or quoted, or the applicable laws of any other country or jurisdiction where Option (ADS)s are, or will be, granted under the ASOP (ADS).

(c) “ADR” shall mean an American Depositary Receipt evidencing ADS(s) corresponding to Share(s).

(d) “ADS” shall mean an American Depositary Share corresponding to Share(s).

(e) “Board” means the Board of Directors of SATYAM.

(f) “Code” means the United States Internal Revenue Code of 1986, as amended, or any successor statute or statutes thereto. Reference to any particular Code section shall include any successor section.

(g) “Committee” means a committee appointed by the Board in accordance with Section 4 hereof.

(h) “SATYAM” means Satyam Computer Services Limited, a company organized under the laws of India.

(i) “Director” means a member of the Board.

(j) “Disability” means total and permanent disability as defined in Section 22(e)(3) of the Code.

(k) “Associate” means any person, including officers and Directors, employed by SATYAM or any Parent or Subsidiary of SATYAM. An Associate shall not cease to be an Associate in the case of (i) any leave of absence approved by SATYAM or (ii) transfers between locations of SATYAM or between SATYAM, its Parent, any Subsidiary, or any successor. Neither service as a Director nor payment of a director’s fee by SATYAM shall be sufficient to constitute “employment” by SATYAM.

(l) “Fair Market Value” means the value for one ADS, as reported on any established stock exchange or market system where SATYAM’s ADSs are listed, on the day of determination.

(m) “Incentive Stock Option(ADS)” means an Option(ADS) intended to qualify as an incentive stock Option(ADS) within the meaning of Section 422 of the Code and which is designated as an Incentive Stock Option(ADS) by the Administrator.

(n) “Nonstatutory Stock Option(ADS)” means an Option(ADS) (or portion thereof) that is not designated as an Incentive Stock Option (ADS) by the Administrator, or which is designated as an Incentive Stock Option(ADS) by the Administrator but fails to qualify as an Incentive Stock Option(ADS) within the meaning of Section 422 of the Code.

(o) “Option(ADS)” means a stock Option(ADS) granted pursuant to the ASOP (ADS).

(p) “Option(ADS) Agreement” means a written or electronic agreement between SATYAM and an Optionee evidencing the terms and conditions of an individual Option(ADS) grant. The Option(ADS) Agreement is subject to the terms and conditions of the ASOP (ADS).

(q) “Optioned Stock” means the ADSs subject to an Option(ADS).

(r) “Optionee” means the holder of an outstanding Option(ADS)granted under the ASOP (ADS).

(s) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(t) “ASOP (ADS)” means this 2000 Equity Incentive ASOP (ADS).

(u) “Share” means an Equity Share of SATYAM, as adjusted in accordance with Section 11 of the ASOP (ADS).

(v) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the ASOP (ADS). Subject to the provisions of Section 11 of the ASOP (ADS), the maximum aggregate number of Shares which may be issued upon exercise of Option(ADS) and sold under the ASOP (ADS) (in the form of ADSs) is [$25 million/initial ADS offering price] Shares. The Shares may be authorized but unissued, or reacquired Shares.

If an Option(ADS) expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the ASOP (ADS) (unless the ASOP (ADS) has terminated). However, Shares that have actually been issued under the ASOP (ADS) upon exercise of an Option(ADS), shall not be returned to the ASOP (ADS) and shall not become available for future distribution under the ASOP (ADS).

4. Administration of the ASOP (ADS).

(a) Administrator. The ASOP (ADS) shall be administered by the Board or a Committee appointed by the Board, which Committee shall be constituted to comply with Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the ASOP (ADS) and, in the case of a Committee, the specific duties delegated by the Board to such Committee, and subject to the approval of any relevant authorities, the Administrator shall have the authority in its discretion:

(i) to determine Fair Market Value;

(ii) to select the Associates to whom Option(ADS) may from time to time be granted hereunder;

(iii) to determine the number of ADSs to be covered by each such Option(ADS) granted hereunder;

(iv) to approve forms of agreement for use under the ASOP (ADS);

(v) to determine the terms and conditions, not inconsistent with the terms of the ASOP (ADS), of any Option(ADS) granted hereunder;

(vi) to determine whether and under what circumstances an Option(ADS) may be settled in cash under subsection 9(d) instead of ADSs;

(vii) to prescribe, amend and rescind rules and regulations relating to the ASOP (ADS), including rules and regulations relating to sub-ASOP (ADS)s established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(viii) to construe and interpret the terms of the ASOP (ADS) and Option(ADS)s granted pursuant to the ASOP (ADS).

(c) Effect of Administrator's Decision. All decisions, determinations and interpretations of the Administrator shall be final and binding on all Optionees.

5. Eligibility.

(a) Option(ADS)s may be granted only to Associates.

(b) Each Option(ADS) shall be designated in the Option(ADS) Agreement as either an Incentive Stock Option(ADS) or a Nonstatutory Stock Option(ADS).

(c) Neither the ASOP (ADS) nor any Option(ADS) shall confer upon any Optionee any right with respect to continuing the Optionee's relationship as an Associate with SATYAM, nor shall they interfere in any way with his or her right or SATYAM's right to terminate such relationship at any time, with or without cause.

The provisions of Appendix A shall apply to grants of Option(ADS)s to Associate who are U.S. residents.

6. Term of ASOP (ADS). The ASOP (ADS) shall become effective upon its adoption by the Board. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 13 of the ASOP (ADS).

7. Term of Option(ADS). The term of each Option(ADS) shall be stated in the Option(ADS) Agreement; provided, however, that the term shall be no more than ten (10) years from the date of grant thereof.

8. Option(ADS) Exercise Price and Consideration.

   (a) The per ADS exercise price for the ADSs to be issued upon exercise of an Option(ADS) shall be such price as is determined by the Administrator; provided, however, that in no case shall the per ADS exercise price of an Option(ADS) be less than 90% of Fair Market Value on the date of grant. Notwithstanding the foregoing, Option(ADS)s may be granted with a per ADS exercise price of less than 90% of Fair Market Value pursuant to a merger or other corporate transaction.

   (b) The consideration to be paid for the ADSs to be issued upon exercise of an Option(ADS), including the method of payment, shall be determined by the Administrator at the time of grant. Such consideration may consist of (1) cash, (2) check, (3) promissory note in a form deemed acceptable by the Administrator in its sole discretion, (4) other ADSs which (x) in the case of ADSs acquired upon exercise of an Option(ADS), have been owned by the Optionee for more than six months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the ADSs as to which such Option(ADS) shall be exercised, (5) consideration received by SATYAM under a cashless exercise program implemented by SATYAM in connection with the ASOP (ADS), or (6) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit SATYAM.

9. Exercise of Option(ADS).

   (a) Procedure for Exercise; Rights as a Shareholder. Any Option(ADS) granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as determined by the Administrator and set forth in the Option(ADS) Agreement. Unless the Administrator provides otherwise, the vesting of Option(ADS)s granted hereunder shall be tolled during any unpaid leave of absence. An Option(ADS) SHALL not be exercised for a fraction of an ADS.

   An Option(ADS) shall be deemed exercised when SATYAM receives: (i) written or electronic notice of exercise (in accordance with the Option(ADS) Agreement) from the person entitled to exercise the Option(ADS), and (ii) full payment for the ADSs with respect to which the Option(ADS) is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option(ADS) Agreement and the ASOP (ADS). ADSs issued upon exercise of an Option(ADS) shall be issued in the name of the Optionee until the ADSs are issued (as evidenced by the appropriate entry on the books of SATYAM or of a duly authorized transfer agent of SATYAM), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the ADSs, notwithstanding the exercise of the Option(ADS). SATYAM shall issue (or cause to be issued) such ADSs promptly after the Option(ADS) is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the ADSs are issued, except as provided in Section 11 of the ASOP (ADS).

(b) **Termination of Relationship as an Associate**. If an Optionee ceases to be an Associate, such Optionee may exercise his or her Option (ADS) within such period of time as is specified in the Option(ADS) Agreement to the extent that the Option(ADS) is vested on the date of termination (but in no event later than the expiration of the term of the Option(ADS) as set forth in the Option(ADS) Agreement). In the absence of a specified time in the Option(ADS) Agreement, the Option(ADS) shall remain exercisable for three (3) months following the Optionee's termination. If, on the date of termination, the Optionee is not vested as to his or her entire Option(ADS), the Shares underlying the ADSs covered by the unvested portion of the Option(ADS) shall again become available for issuance under the ASOP (ADS). If, after termination, the Optionee does not exercise his or her Option(ADS) within the time specified by the Administrator, the Option(ADS) shall terminate, and the Shares underlying the ADSs covered by such Option(ADS) shall again become available for issuance under the ASOP (ADS).

In the event of superannuation/retirement, the vesting schedule for options granted during the period of employment shall continue. In case of death of a superannuated or retired Associate, all the outstanding options as on that date shall vest immediately in the legal heirs or nominee(s) of the deceased and such vested options shall be exercisable within twelve (12) months from the date of death ofthe superannuated or retired Associate, but not earlier to one year from the date of grant. Options not exercised within such period become invalid in the hands of legal heirs or nominees and shall be available for reissuance under the plan.

The above clause is effective from October 20, 2005 and is applicable for the stock options (ADS) granted thereafter (i.e. after October 20, 2005).

(c) Death or Disability of Optionee. If an Optionee dies while an Associate, or ceases to be an Associate as a result of the Optionee's disability, the vesting and exercisability of the Option(ADS) shall accelerate in full and the Option(ADS) may be exercised within such period of time as is specified in the Option(ADS) Agreement to the extent that the Option(ADS) is vested on the date of death (but in no event later than the expiration of the term of such Option(ADS) as set forth in the Option(ADS) Agreement) by the Optionee or Optionee's estate or by a person who acquires the right to exercise the Option(ADS) by bequest or inheritance. In the absence of a specified time in the Option(ADS) Agreement, the Option(ADS) shall remain exercisable for twelve (12) months following the Optionee's termination. If the Option(ADS) is not so exercised within the time specified herein, the Option(ADS) shall terminate, and the Shares underlying the ADSs covered by such Option(ADS) shall again become available for issuance under the ASOP (ADS).

(d) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash or Shares, an Option(ADS) previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

10. Non-Transferability of Option(ADS)s. The Option(ADS)s may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Adjustments Upon Changes in Capitalization, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of SATYAM, the number of ADSs covered by each outstanding Option(ADS), and the number of Shares (in the form of ADSs) which have been authorized for issuance under the ASOP (ADS) but as to which no Option(ADS)s have yet been granted or which have been returned to the ASOP (ADS) upon cancellation or expiration of an Option(ADS), as well as the price per ADS covered by each such outstanding Option(ADS), shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, Share-to-ADS ratio change, stock dividend, combination or reclassification of the Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by SATYAM. The conversion of any convertible securities of SATYAM shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by SATYAM of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of the ADSs subject to an Option(ADS).

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of SATYAM, the Administrator shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee to have the right to exercise his or her Option(ADS) until fifteen (15) days prior to such transaction as to all of the Optioned Stock covered thereby, including ADSs as to which the Option(ADS) would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase Option(ADS) applicable to any ADSs purchased upon exercise of an Option(ADS) shall lapse as to all such ADSs, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised, an Option(ADS) will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. In the event of a merger of SATYAM with or into another corporation, or the sale of substantially all of the assets of SATYAM, each outstanding Option(ADS) shall be assumed or an equivalent Option(ADS) substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Option (ADS), the Optionee shall fully vest in and have the right to exercise the Option(ADS) as to all of the Optioned Stock, including ADSs as to which it would not otherwise be vested or exercisable. If an Option(ADS) becomes fully vested and exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee in writing or electronically that the Option (ADS) shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option(ADS) shall terminate upon the expiration of such period. For the purposes of this paragraph, the Option(ADS) shall be considered assumed if, following the merger or sale of assets, the Option(ADS) confers the right to purchase or receive, for each ADS subject to the Option(ADS) immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of ADSs for each ADS held on the effective date of the transaction (and if the holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding ADSs); provided, however, that if such consideration received in the merger or sale of assets is not solely equity shares (or their equivalent) of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option(ADS), for each ADS subject to the Option(ADS), to be solely equity shares (or their equivalent) of the successor corporation or its Parent equal in fair market value to the per ADS consideration received by holders of ADS in the merger or sale of assets.

12. Time of Granting Option(ADS)s. The date of grant of an Option(ADS) shall, for all purposes, be the date on which the Administrator makes the determination granting such Option(ADS), or such other date as is determined by the Administrator. Notice of the determination shall be given to each Associate to whom an Option(ADS) is so granted within a reasonable time after the date of such grant.

13. Amendment and Termination of the ASOP (ADS).

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the ASOP (ADS).

(b) Shareholder Approval. The Board shall obtain shareholder approval of any ASOP (ADS) amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the ASOP (ADS) shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and SATYAM. Termination of the ASOP (ADS) shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Option(ADS)s granted under the ASOP (ADS) prior to the date of such termination.

14. Conditions Upon Issuance of ADSs.

(a) Legal Compliance. ADSs shall not be issued pursuant to the exercise of an Option(ADS) unless the exercise of such Option(ADS) and the issuance and delivery of such ADSs shall comply with Applicable Laws and can be further subject to the approval of counsel for SATYAM with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option(ADS), the Administrator may require the person exercising such Option(ADS) to represent and warrant at the time of any such exercise that the ADSs are being purchased only for investment and without any present intention to sell or distribute such ADSs if, in the opinion of counsel for SATYAM, such a representation is required.

15. Inability to Obtain Authority. The inability of SATYAM to obtain authority from any regulatory body having jurisdiction, which authority is deemed by SATYAM's counsel to be necessary to the lawful issuance and sale of any ADSs hereunder, shall relieve SATYAM of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16. Reservation of Shares. SATYAM, during the term of this ASOP (ADS), shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the ASOP (ADS).

17. Shareholder Approval. The ASOP (ADS) shall be subject to approval by shareholders of SATYAM within twelve (12) months after the date the ASOP (ADS) is adopted. Such shareholder approval shall be obtained in the degree and manner required by Applicable Laws.

I hereby certify that the ASOP (ADS) was duly adopted by the Board of Directors of Satyam Computer Services Limited on May 26, 2000.

Executed at Hyderabad, India on this 27th day of July, 2001.

By: ______________________________

Name: ______________________________

Title: ______________________________

I hereby certify that the foregoing is as approved by the shareholders of Satyam Computer Services Limited on May 28, 1999.

Executed at Hyderabad, India on this 27th day of July, 2001.

By: ______________________________

Name: ______________________________

Title: ______________________________

APPENDIX A

RULES FOR U.S. OPTION(ADS) GRANTS

The following additional rules shall apply in the case of Option(ADS) grants to U.S. residents.

1. Term of Option(ADS). Notwithstanding Section 7 of the ASOP (ADS), in the case of an Incentive Stock Option(ADS) granted to an Optionee who, at the time the Option(ADS) is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of SATYAM or any Parent or Subsidiary, the term of the Option(ADS) shall be five (5) years from the date of grant or such shorter term as may be provided in the Option(ADS) Agreement.

2. Option(ADS) Exercise Price.

   (a) In the case of an Incentive Stock Option(ADS)

   (i) granted to an Associate who, at the time of grant of such Option(ADS), owns stock representing more than ten percent (10%) of the voting power of all classes of stock of SATYAM or any Parent or Subsidiary, the exercise price shall be no less than 110% of the Fair Market Value per ADS on the date of grant.

   (ii) granted to any other Associate, the per ADS exercise price shall be no less than 100% of the Fair Market Value per ADS on the date of grant.

   (b) In the case of a Nonstatutory Stock Option(ADS), the per ADS exercise price shall be determined by the Administrator; provided, however, that in the case of an Option(ADS) intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the per ADS exercise price shall be no less than 100% of the Fair Market Value per ADS on the date of grant.

Exhibit 8.1

Significant Subsidiaries
(as defined in Rule 1-02(w) of Regulation X)
of Satyam Computer Services Limited:

None.

Exhibit 10.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Registration No. 333-13772) of our report dated April 21, 2006 relating to the financial statements and financial statements schedule of Satyam Computer Services Limited, which appears in this Annual Report on Form 20-F dated April 28, 2006.

Price Waterhouse
Secunderabad, India
April 28, 2006

Exhibit 12.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
UNDER SECTION 302 OF THE SARBANES OXLEY ACT

I, B. Rama Raju, certify that:

1. I have reviewed this annual report on Form 20-F of Satyam Computer Services Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated this April 28, 2006

By: /s/ B. Rama Raju
Managing Director and Chief
Executive Officer

Exhibit 12.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER SECTION 302 OF THE SARBANES OXLEY ACT**

I, Srinivas V., certify that:

1. I have reviewed this annual report on Form 20-F of Satyam Computer Services Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: April 28, 2006

/s/ Srinivas V.
Director and Senior Vice President
& Chief Financial Officer

Exhibit 13.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
UNDER SECTION 906 OF THE SARBANES OXLEY ACT

Pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Satyam Computer Services Limited (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 20-F of the Company for the year ended March 31, 2006 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 28, 2006

/s/ B. Rama Raju
Managing Director and Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference to any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 13.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE SARBANES OXLEY ACT**

Pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Satyam Computer Services Limited (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 20-F of the Company for the year ended March 31, 2006 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 28, 2006

/s/ Srinivas V.
Director and Senior Vice President
& Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference to any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

FORM 6-K CONTAINING FINANCIAL INFORMATION FOR THE FISCAL YEAR ENDED 31 MARCH 2005

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the month of April 2005

Commission File Number 001-15190

SATYAM COMPUTER SERVICES LIMITED

(Exact name of registrant as specified in its charter)

Not Applicable
(Translation of registrant's name into English)

Republic of India
(Jurisdiction of incorporation or organization)

Satyam Technology Center
Bahadurpally Village
Qutbullapur Mandal,
R.R. District – 500855
Hyderabad, Andra Pradesh
India
(91) 40-5523 3505
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☑ Form 40-F ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☑

If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b). Not applicable.

The Company is incorporating by reference the information and exhibits set forth in this Form 6-K into the following registration statement: Form S-8 (Registration No. 333-13772)

TABLE OF CONTENTS

TABLE OF CONTENTS

1. Other Events

On April 21, 2005, the Company released a press release concerning its financial results for the quarter and the fiscal year ended March 31, 2005. A copy of the release is attached hereto as exhibit 99.1 and is incorporated herein by reference.

A copy of the Company's consolidated (audited) financial statements prepared under U.S. GAAP for the fiscal year ended March 31, 2005 is attached hereto as exhibit 99.2 and is incorporated herein by reference.

On April 21, 2005, as required by the Indian stock exchanges on which the Company's shares are listed, the Company published a summary of its financial results for the quarter and the fiscal year ended March 31, 2005 and filed a copy of this summary with the Indian stock exchanges. A copy of the summary of the fourth quarter and annual financial results is attached hereto as exhibit 99.3 and is incorporated herein by reference.

The summary of financial results filed with the Indian stock exchanges was accompanied by an Investor Link News Update which provided further details on the matters covered in the release. A copy of the Investor Link News Update is attached hereto as exhibit 99.4 and is incorporated herein by reference.

A copy of the Company's unconsolidated/standalone (audited) financial statements prepared under Indian GAAP for the fiscal year ended March 31, 2005 is attached hereto as exhibit 99.5 and is incorporated herein by reference.

A copy of the Company's consolidated (audited) financial statements prepared under Indian GAAP for the fiscal year ended March 31, 2005 is attached hereto as exhibit 99.6 and is incorporated herein by reference.

On April 21, 2005, the Company announced the strategic acquisition of Citisoft, a specialized business and systems consulting firm that has focused on the investment management industry since 1986. The Company released a press release in this regard and a copy of the release is attached hereto as exhibit 99.7 and is incorporated herein by reference.

IN ADDITION TO HISTORICAL INFORMATION, THIS REPORT AND THE EXHIBITS THERETO CONTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS REPORT AND THE EXHIBITS THERETO INCLUDE, BUT ARE NOT LIMITED TO, COMMENTS REGARDING THE FINANCIAL OUTLOOK OF THE COMPANY. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD-LOOKING STATEMENTS — WE UNDERTAKE NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENTS.

FOR A DISCUSSION OF THE RISKS ASSOCIATED WITH OUR BUSINESS, PLEASE SEE THE DISCUSSIONS UNDER THE HEADING “RISK FACTORS” IN OUR REPORT ON FORM 6-K DATED FEBRUARY 14, 2005 FOR THE QUARTER ENDED DECEMBER 31, 2004 FURNISHED TO THE SECURITIES EXCHANGE COMMISSION AND THE OTHER REPORTS FILED WITH THE SECURITIES EXCHANGE COMMISSION FROM TIME TO TIME. THESE FILINGS ARE AVAILABLE AT WWW.SEC.GOV .

Table of Contents

2. Exhibits

99.1 Press Release of the Company concerning financial results dated April 21, 2005.

99.2 Consolidated financial statements for the fiscal year ended March 31, 2005 under U.S. GAAP (audited).

99.3 Summary of Fourth Quarter and Annual Financial Results of the Company dated April 21, 2005.

99.4 Investor Link News Update of the Company dated April 21, 2005.

99.5 Unconsolidated/standalone financial statements for the fiscal year ended March 31, 2005 under Indian GAAP (audited).

99.6 Consolidated financial statements for the fiscal year ended March 31, 2005 under Indian GAAP (audited).

99.7 Press Release of the Company concerning acquisition of Citisoft Plc. dated April 21, 2005.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunder duly authorized.

Date: April 26, 2005

SATYAM COMPUTER SERVICES LIMITED

By: /s/ G. Jayaraman

Name: G. Jayaraman

Title: Vice President Corporate Affairs and Company Secretary

Table of Contents

EXHIBIT INDEX

99.1 Press Release of the Company concerning financial results dated April 21, 2005.

99.2 Consolidated financial statements for the fiscal year ended March 31, 2005 under U.S. GAAP (audited).

99.3 Summary of Fourth Quarter and Annual Financial Results of the Company dated April 21, 2005.

99.4 Investor Link News Update of the Company dated April 21, 2005.

99.5 Unconsolidated/standalone financial statements for the fiscal year ended March 31, 2005 under Indian GAAP (audited).

99.6 Consolidated financial statements for the fiscal year ended March 31, 2005 under Indian GAAP (audited).

99.7 Press Release of the Company concerning acquisition of Citisoft Plc. dated April 21, 2005.

Satyam
What Business Demands.

Satyam's Q4 Net Profit Growth at 51.4% yoy

- Guides for US $ 1 billion revenue in 2005-2006
- Satyam along with its subsidiaries becomes one of the youngest global IT company to cross the milestone of 20,000 Associates
- Adds 5132 Associates in a year
- To set up Satyam School of Learning to enhance global leadership development

Hyderabad (India), April, 21, 2005: Satyam Computer Services Ltd. (NYSE:SAY), a leading global consulting and IT services provider, today announced revenue of Rs.953.37 crore and an EPS of Rs.6.68 for the fourth quarter ended March 31, 2005, representing a sequential growth of 7.0% and 21.7% respectively. The audited results of the company for the year and quarter ended March 31, 2004, were approved at a board meeting held here today.

For fiscal 2006 consolidated revenue is expected to be between Rs. 4435 crore & Rs. 4502 crore, implying a growth rate of 26% to 28% over fiscal 2005 revenue of Rs.3521 crore. The EPS for the fiscal is expected to be between Rs.26.84 and Rs. 27.30. The revenue forecast for the quarter ending June 30, 2005, indicates a growth in the range of 5.1% to 5.6% and is expected to be between Rs.1021 crore and Rs.1026 crore. The EPS for the quarter is expected to be between Rs.5.82 and Rs.5.85.

Satyam added 28 customers during the quarter including 5 Fortune Global and US 500 corporations, taking the total count to 144 Fortune Global and US 500 corporations. The total customer additions during the year were 108, including 17 Fortune Global and US 500 Companies.

Commenting on the results, **Satyam Chairman, B. Ramalinga Raju** said: *"Our ability to identify, nurture and accelerate growth in new business practices have helped create a footprint in these chosen areas which has resulted in a strong platform for future growth. It is reassuring for us to note the enhanced business potential for integrated business solutions in the global market place and we are hopeful that the growth momentum experienced in fiscal 2005 would continue."*

Satyam added 5132 associates in FY 2005, the highest addition in any single year, taking the total strength to 19164. During the quarter Satyam, along with its subsidiaries, became one of the youngest in the global IT industry to cross the milestone of 20,000 Associates. The company also plans to set up the Satyam School of Learning to enhance leadership development and to groom its associates into leaders who can take end-to-end responsibility.

The Board of Directors has recommended a final dividend of 150% (Rs.3 per share). Including the interim dividend of 100%, the total dividend works out to 250% against 200% declared for the last year.

Acquisition

The company has also announced the acquisition of Citisoft, a Europe-based highly specialized business and systems consulting firm that focuses exclusively on investment management industry. Citisoft will be operating as a subsidiary of Satyam and will be a part of Satyam's Financial Services Group.

Citisoft has a global presence with offices in London, Boston and New York and has built an enviable reputation as the leading specialist investment management consulting firm with the largest concentration of business consulting expertise. This strategic acquisition firmly positions Satyam as a significant global player in business and technology consulting services area for the Investment Management industry.

The consideration for the acquisition consists of a guaranteed payment of $ 23.2 mn and an additional performance based payment of up to $ 15.5 mn, paid over a 3-year period.

The acquisition comes against the backdrop of increasing IT spend in the Securities Industry estimated at $ 71 bn in 2004, 10% of which can be attributed to the Investment Management segment of the industry which by itself is a $35 trillion market.

Commenting on the acquisition, **Mr. Raju** said, "*To further our objective to accelerate domain competency and expand our services as well as customer reach, we have acquired Citisoft, a highly specialized business and systems consulting firm that has focused exclusively on the Investment Management industry* ".

"*This acquisition will enable Satyam to build a unique position in the Financial Services sector and facilitate it to expand its footprint amongst European Asset Management Companies by utilizing the synergies between Satyam's global delivery capabilities and Citisoft's world-class industry expertise* ", **added Mr. Ram Mynampati, President — Commercial and Healthcare Businesses, Satyam,** who would be taking over as the **Chairman of Citisoft** .

Satyam will now offer a phenomenal value proposition that covers everything from full-scale business transformation to back-office support at a great value.

Nipuna Services Limited

Nipuna, Satyam's BPO subsidiary, reported revenue of US$10 mn in Fiscal 2005. The revenue for the year ending March 31, 2006 is expected to be US$ 18 mn.

Nipuna added 11 customers during fiscal 2005 in the Telecom, Media, Pharma, Manufacturing, Automotive and Financial Services verticals. The company is servicing 21 customers and is handling 50 processes. It now has a presence in engineering, health care, insurance, IT help desk, finance and accounts, customer contact & data management areas.

Nipuna services 11 'Fortune Global 500' companies, of which 6 are 'Fortune 100' companies. New businesses contributed to 46% of the total revenue, while existing businesses made up the remaining 54% of revenue. Revenues from existing customers grew by 111% during fiscal 2005.

During the year Nipuna started delivery from two new facilities, a 660 seat facility in Hyderabad and a 350 seat facility in Bangalore. Nipuna now has infrastructure to accommodate approximately 2,200 employees.

Nipuna had 1367 employees as of March 31, 2005. The company is ramping up to meet the requirement of additional business from existing and new customers.

Financial Highlights:

- Income from Software Services as per Indian GAAP for Q4 in Rupee terms up 32.3% year on year, while net profit has increased by 51.4% yoy
- Sequential growth of 7.0% (8.8% in US$ terms) in income from software services over the quarter ended December 31, 2004
- New customer wins were 28, including 5 Fortune Global and US 500 companies
- Income from software services for fiscal 2005 was Rs.3464.22 crore (US$772.77 million), an annual growth of 36.3% (39.7% in US$ terms)
- Note: Total income, software income and net profit mentioned in the above statements are as per Indian GAAP standalone.

About Satyam:

Satyam Computer Services Ltd. (NYSE: SAY) is a global IT consulting services provider, offering a range of expertise aimed at helping customers re-engineer and re-invent their businesses to compete successfully in an ever-changing marketplace. Over 20,000 highly-skilled professionals in Satyam work onsite, offsite, offshore and near shore, to provide customized IT solutions for companies in several industry sectors. Satyam's ideas and products have resulted in technology-intensive transformations that have met the most stringent of international quality standards. Satyam Development Centers in India, the USA, the UK, the UAE, Canada, Hungary, Malaysia, Singapore, China, Japan and Australia serve over 370 global companies, of which 144 are Fortune Global 500 and Fortune US 500 corporations. Satyam's presence spans 46 countries, across six continents. For more information visit us at: www.satyam.com

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Safe Harbor:

This press release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements.

For a discussion of the risks associated with our business, please see the discussions under the heading "Risk Factors" in our report on Form 6K concerning the fiscal quarter ended December 31, 2004 furnished to the United States Securities Exchange Commission on February 14, 2005 and the other reports filed with the Securities Exchange Commission from time to time. These filings are available at www.sec.gov

Exhibit 99.2

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Satyam Computer Services Limited:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders equity and comprehensive income and of cash flows present fairly, in all material respects, the financial position of Satyam Computer Services Limited and its subsidiaries at March 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three year period ended March 31, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Price Waterhouse

Secunderabad, India

April 21, 2005

Satyam Computer Services Limited
Consolidated Balance Sheets

	As of March 31,	
	2005	2004
	(Thousands of US Dollars except per share data and as stated otherwise)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 129,815	$ 86,730
Investments in bank deposits	—	332,133
Accounts receivable, net of allowance for doubtful debts	160,923	133,827
Unbilled revenue on contracts	17,029	2,749
Deferred income taxes	9,090	6,081
Prepaid expenses and other receivables	16,103	32,905
Total current assets	**332,960**	**594,425**
Investments	—	2,793
Investments in bank deposits	411,623	—
Investments in associated companies	23,244	24,274
Premises and equipment, net	84,052	68,466
Goodwill, net	15,458	15,536
Other assets	16,789	8,274
Total assets	**884,126**	**713,768**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term and current portion of long-term debts	4,836	2,356
Accounts payable	10,894	8,383
Accrued expenses and other current liabilities	64,754	46,674
Unearned and deferred revenue	5,642	1,883
Total current liabilities	**86,126**	**59,296**
Long-term debts, excluding current portion	1,137	1,826
Deferred income taxes	8,939	8,757
Total liabilities	**96,202**	**69,879**
Contingencies and Commitments (*Note No. 17*)		
Preferred Stock of Subsidiary		
0.05% Cumulative convertible redeemable preference shares, par value Rs.10 (US$0.23)* per share	20,000	10,000
(100 million preference shares authorized, 91,009,999 and 45,669,999 preference shares issued as of March 31, 2005 and 2004 respectively)		
Shareholders' equity		
Common stock — par value Rs.2 (US$0.05)* per equity share	17,355	17,222

(375 million equity shares authorized, 319,265,291 and 316,251,710 equity shares issued as of March 31, 2005 and 2004 respectively)		
Additional paid-in capital	433,611	416,176
Shares subscribed but unissued	102	43
Deferred stock-based compensation	(289)	(13)
Retained earnings	288,979	172,825
Accumulated other comprehensive income	29,637	29,380
	769,395	**635,633**
Shares held by the SC-Trust under associate stock option plan	(1,471)	(1,744)
(1,424,340 and 1,687,680 equity shares as of March 31, 2005 and 2004 respectively)		
Total shareholders' equity	**767,924**	**633,889**
Total liabilities and shareholders' equity	**$ 884,126**	**$ 713,768**

** The par value in US$ has been converted at the closing rate as of March 31, 2005, 1US$ = Rs 43.62*

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Consolidated Statements of Income

	Year ended March 31,		
	2005	2004	2003
	(Thousands of US Dollars except per share data and as stated otherwise)		
Revenues	$ 793,597	$ 566,372	$ 459,207
Cost of revenues *(Includes stock-based compensation of US$775, US$853 and US$1,591 for the years ended March 31, 2005, 2004 and 2003 respectively)*	(506,776)	(343,596)	(275,219)
Gross profit	**286,821**	**222,776**	**183,988**
Selling, general and administrative expenses *(Includes stock-based compensation of US$1,193, US$772 and US$2,930 for the years ended March 31, 2005, 2004 and 2003 respectively)*	(124,325)	(101,627)	(116,893)
Impairment of other non marketable investments	—	—	(3,299)
Reversal of put option charge	—	—	19,843
Total operating expenses	**(124,325)**	**(101,627)**	**(100,349)**
Operating income	**162,496**	**121,149**	**83,639**
Interest income	22,339	20,309	7,158
Interest expense	(458)	(471)	(800)
Gain on sale of shares in associated companies/ other investments	66	2,652	830
Loss on foreign exchange transactions	(4,611)	(8,874)	(4,757)
Other income/(expense), net	326	2,270	(1,746)
Income before income taxes and equity in earnings/(losses) of associated companies	**180,158**	**137,035**	**84,324**
Income taxes	(25,304)	(22,544)	(9,769)
Minority Interest	—	—	11,082
Income before equity in earnings/(losses) of associated companies	**154,854**	**114,491**	**85,637**
Equity in earnings/(losses) of associated companies, net of taxes	(1,094)	(2,631)	(3,339)
Net income	**$ 153,760**	**$ 111,860**	**$ 82,298**
Earnings per share:			
Basic	$ 0.49	$ 0.36	$ 0.26
Diluted	$ 0.48	$ 0.35	$ 0.26

Weighted average number of shares used in computing earnings per share — (in thousands)			
Basic	316,184	313,155	311,797
Diluted	323,569	317,057	318,658

The accompanying notes form an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income

	Common Stock		Additional Paid-In Capital	Deferred Stock-based Compensation	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Shares Held by SC-Trust	Total Shareholders' Equity
	Shares	Par Value						
	(Thousands of US Dollars except per share data and as stated otherwise)							
Balance as of March 31, 2002	**314,540,000**	**$ 17,144**	**$ 405,530**	**$ (2,511)**	**$ 14,526**	**$ (36,727)**	**$ (3,598)**	**$ 394,364**
Net income	—	—	—	—	82,298	—	—	82,298
Other comprehensive income								
Gain on foreign currency translation	—	—	—	—	—	16,612	—	16,612
Unrealized gains on securities, net of taxes	—	—	—	—	—	2	—	2
Total Comprehensive income	—	—	—	—	—	—	—	**98,912**
Issuance of common stock, net of issuance cost	2,800	2	10	—	—	—	—	12
Loss on dilution of interest in Sify on its issuance of new shares, net of taxes	—	—	(1,181)	—	—	—	—	(1,181)
Deferred stock-based compensation	—	—	1,745	(1,745)	—	—	—	—
Amortization of deferred stock- based compensation	—	—	—	3,380	—	—	—	3,380
Shares transferred by SC-Trust to employees	—	—	600	—	—	—	1,315	1,915
Cash dividend paid at the rate of US$ 0.03 per share	—	—	—	—	(9,686)	—	—	(9,686)
Balance as of March 31, 2003	**314,542,800**	**$ 17,146**	**$ 406,704**	**$ (876)**	**$ 87,138**	**$ (20,113)**	**$ (2,283)**	**$ 487,716**

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited

Consolidated Statements of Shareholders’ Equity and Comprehensive Income

	Common Stock		Additional paid-in capital	Shares subscribed but unissued	Deferred stock-based compensatio	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders’ Equity
	Shares	Par Value							
	(Thousands of US Dollars except per share data and as stated otherwise)								
Balance as of March 31, 2003	**314,542,800**	**$ 17,146**	**$ 406,704**	**—**	**$ (876)**	**$ 87,138**	**$ (20,113)**	**$ (2,283)**	**$ 487,716**
Net income	—	—	—	—	—	111,860	—	—	111,860
Other comprehensive income				—					
Gain on foreign currency translation	—	—	—	—	—	—	49,493	—	49,493
Total Comprehensive income	—	—	—	—	—	—	—	—	**161,353**
Issuance of common stock	1,708,910	76	8,309	—	—	—	—	—	8,385
Shares subscribed but unissued	—	—	—	$ 43	—	—	—	—	43
Gain on dilution of interest in associate company on its issuance of new shares, net of taxes	—	—	15	—	—	—	—	—	15
Deferred stock-based compensation	—	—	762	—	(762)	—	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	1,625	—	—	—	1,625
Shares transferred by SC-Trust to employees	—	—	386	—	—	—	—	539	925
Cash dividend paid at the rate of US$0.08 per share	—	—	—	—	—	(26,173)	—	—	(26,173)
Balance as of March 31, 2004	**316,251,710**	**$ 17,222**	**$ 416,176**	**$ 43**	**$ (13)**	**$ 172,825**	**$ 29,380**	**$ (1,744)**	**$ 633,889**

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited

Consolidated Statements of Shareholders' Equity and Comprehensive Income

	Common Stock Shares	Common Stock Par Value	Additional paid-in capital	Shares subscribed but unissued	Deferred stock-based compensatio	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
	(Thousands of US Dollars except per share data and as stated otherwise)								
Balance as of March 31, 2004	**316,251,710**	**$ 17,222**	**$ 416,176**	**$ 43**	**$ (13)**	**$ 172,825**	**$ 29,380**	**$ (1,744)**	**$ 633,889**
Net income	—	—	—	—	—	153,760	—	—	153,760
Other comprehensive income/(loss) Gain on foreign currency translation	—	—	—	—	—	—	257	—	257
Total Comprehensive income									**154,017**
Issuance of common stock	3,013,581	133	14,674	(43)	—	—	—	—	14,764
Shares subscribed but unissued	—	—	—	102	—	—	—	—	102
Gain on dilution of interest in associate company on its issuance of new shares, net of taxes	—	—	258	—	—	—	—	—	258
Deferred stock-based compensation	—	—	2,244	—	(2,244)	—	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	1,968	—	—	—	1,968
Shares transferred by SC-Trust to employees	—	—	259	—	—	—	—	273	532
Cash dividend paid at the rate of US$0.12 per share	—	—	—	—	—	(37,606)	—	—	(37,606)
Balance as of March 31, 2005	**319,265,291**	**$ 17,355**	**$ 433,611**	**$ 102**	**$ (289)**	**$ 288,979**	**$ 29,637**	**$ (1,471)**	**$ 767,924**

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Consolidated Statements of Cash Flows

	Year ended March 31,		
	2005	2004	2003
		(Thousands of US Dollars except per share data and as stated otherwise)	
Cash Flows From Operating Activities			
Net income	$ 153,760	$ 111,860	$ 82,298
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and impairment of premises and equipment	25,049	24,397	35,982
Impairment of other non marketable investments	—	—	3,299
Amortization of license fees	—	—	1,195
Stock-based compensation	1,968	1,625	4,521
Deferred income taxes	(1,910)	(1,016)	(3,768)
Gain on sale of shares in associated companies/ other investments	(66)	(2,652)	(830)
Loss on sale of premises and equipment	257	265	67
Amortization of discount on share warrants issued to TRW and change in fair value of put option	—	—	(11,898)
Minority Interest	—	—	(11,082)
Equity in earnings/(losses) of associated companies, net of taxes	1,094	2,631	3,339
Changes in assets and liabilities:			
Accounts receivable, net and unbilled revenue on contracts	(40,716)	(22,510)	(15,367)
Prepaid expenses and other receivables, net	16,660	(24,710)	(505)
Other assets, net	(7,969)	4,974	(2,673)
Accounts payable	2,483	(4,151)	(435)
Accrued expenses and other current liabilities	17,136	(1,500)	12,520
Unearned and deferred revenue	3,502	(2)	3,510
Other liabilities	—	—	(1,633)
Net cash provided by operating activities	**171,248**	**89,211**	**98,540**
Cash Flows From Investing Activities			
Proceeds from maturity of bank deposits	332,133	—	—
Investments in bank deposits	(411,466)	(45,406)	(259,321)
Purchase of premises and equipment	(39,036)	(16,745)	(10,989)

Proceeds from sale of premises and equipment	281	156	148
Expenditure on license fees	—	—	(623)
Acquisitions and investments in associated companies	—	—	(5,121)
Purchase of investments	(7,555)	(4,181)	(2,228)
Proceeds from sale of shares in associated companies	—	4,252	4,000
Proceeds from sale of other investments	10,198	1,772	2,175
Net cash used in investing activities	**(115,445)**	**(60,152)**	**(271,959)**
Cash Flows From Financing Activities			
Proceeds from short-term debts	1,686	—	—
Repayments of short-term debts	—	(2,500)	(2,439)
Proceeds from long-term debts	243	1,768	1,410
Repayment of long-term debts	(2,152)	(3,350)	(3,356)
Issuance of common stock	15,296	9,310	1,926
Shares subscribed but unissued	102	43	—
Issuance of Preferred stock by subsidiary, net of issuance cost	9,512	9,441	—
Cash dividends paid	(37,606)	(26,173)	(9,686)
Net cash used in financing activities	**(12,919)**	**(11,461)**	**(12,145)**
Effect of exchange rate changes on cash and cash equivalents	201	6,930	4,312
Net change in cash and cash equivalents	**43,085**	**24,528**	**(181,252)**
Cash and cash equivalents at the beginning of the year	86,730	62,202	243,454
Cash and cash equivalents at the end of the year	**$ 129,815**	**$ 86,730**	**$ 62,202**
Supplementary information:			
Cash paid during the year for:			
Income taxes	$ 25,359	$ 31,877	$ 4,486
Interest	458	471	553
Non-cash items:			
Capital leases and hire purchase	$ 2,028	$ 1,318	$ 1,100

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

1. Description of Business

Satyam Computer Services Limited, its consolidated subsidiaries and associated companies (hereinafter referred to as *"Satyam"*) are engaged in providing Information Technology ("IT") services, Internet services, Business Process Outsourcing ("BPO") services and developing software products. Satyam Computer Services Limited (hereinafter referred to as *"Satyam Computer Services"*) is an IT services provider that uses global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. Satyam Computer Services was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. Satyam Computer Services has offshore development centers located throughout India that enable it to provide high quality and cost-effective solutions to clients. It also has offsite centers located in the United States, United Kingdom, Japan, Australia, Singapore, Malaysia, Dubai and Germany. Satyam offers a comprehensive range of IT services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. Satyam Computer Services has established a diversified base of corporate customers in a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Sify Limited (formerly "Satyam Infoway Limited" hereinafter referred to as *"Sify"*) a former subsidiary of Satyam Computer Services is engaged in providing various services such as corporate network and technology services, internet access services, online portal and content offerings.

Nipuna Services Limited ("Nipuna") a wholly owned subsidiary of Satyam Computer Services is engaged in providing BPO services covering HR, Finance & Accounting, Customer Care (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

2. Summary of Significant Accounting Policies

a) Principles of Consolidation and Basis of Presentation

The consolidated financial statements of Satyam Computer Services and its majority owned domestic and foreign subsidiaries are prepared in accordance with generally accepted accounting principles applicable in the United States ("U.S. GAAP"). All significant inter-company balances and transactions are eliminated.

Minority interest in subsidiaries represents the minority shareholders' proportionate share of the net assets and the results of operations of Satyam's majority owned subsidiaries.

Satyam's investments in business entities in which it does not have control, but have the ability to exercise significant influence over operating and financial policies (generally 20-50 percent ownership), are referred to as associated companies and are accounted for by the equity method.

On occasion, a subsidiary or associated company accounted for by the equity method ("offering company") may issue its shares to third parties as either a public offering or private placement at per share amounts in excess of or less than Satyam's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in interest are recorded in additional paid-in capital. Gains or losses arising on the direct sales by Satyam of its investment in its subsidiaries or associated companies to third parties are recognized as income/(loss) in the statement of income. Such gains or losses are the difference between the sale proceeds and net carrying value of investments.

The excess of the cost over the underlying net equity of investments in subsidiaries and associated companies accounted for on an equity basis is allocated to identifiable assets based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reported period. Examples of such estimates include: estimates of expected contract costs to be incurred to complete software development, allowance for doubtful debts, and future obligations under employee benefit plans, valuation allowances for deferred taxes, impairment of goodwill and useful lives of premises and equipment (fixed assets). Actual results could differ materially from those estimates.

c) Foreign Currency Translation

The accompanying consolidated financial statements are reported in U.S. dollars. The Indian rupee is the functional currency for Satyam Computer Services, its domestic subsidiaries and associated companies. However, the U.S. Dollar, Pound Sterling, Singapore Dollar and Renminbi are the functional currencies for its foreign subsidiaries located in U.S., UK, Singapore and China respectively. The translation of the functional currencies into U.S. dollars is performed for assets and liabilities using the current exchange rates in effect at the balance sheet date and for revenues, costs and expenses using average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income/(loss), a separate component of shareholders' equity.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency at the exchange rates in effect at the balance sheet date. Revenues, costs and expenses are recorded using exchange rates prevailing on the date of transaction. Gains or losses resulting from foreign currency transactions are included in the statement of income.

d) Revenue Recognition

Revenues from IT services, which includes software development, system maintenance, package software implementation, engineering design services and e-Business consist of revenues earned from services performed either on a time-and-material basis or time bound fixed price engagements.

Revenues earned from services performed on a time-and-material basis are recognized as the services are performed. IT services performed on time bound fixed-price engagements, require accurate estimation of the costs which include salaries and related expenses of technical associates, related communication expenses, travel costs, scope and duration of each engagement. Revenue and the related costs for these projects are recognized on percentage of completion basis, with revisions to estimates reflected in the period in which changes become known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Amounts included in the financial statements, which relate to recoverable costs and accrued profits not yet billed on contracts, are classified in current assets as "Unbilled revenue on contracts". Billings on uncompleted contracts in excess of accrued cost and accrued profit are classified in current liabilities under the heading "Unearned and deferred revenue". Satyam provides its clients with one to three months' warranty as post-sale support for its fixed price engagements. Satyam has not provided for any warranty costs for the years ended March 31, 2005, 2004 and 2003 as historically Satyam has not incurred any expenditure on account of warranties and since the customer is required to formally sign off on the work performed, any subsequent work is usually covered by an additional contract.

In accordance with Emerging Issues Task Force (EITF) 01-14 (formerly Topic D-103), "Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred", Satyam has accounted for reimbursements received for out-of-pocket expenses incurred as revenues in the statement of income.

e) Cash and Cash Equivalents

Satyam considers all highly liquid investments with an original maturity or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates their fair value due to the short maturity of the investments. Cash and claims to cash that are restricted as to withdrawal or use in the ordinary course of business are classified as other receivables under current assets, unless they are to be utilized for other than current operations in which case they are classified as other assets, non-current.

f) Premises, Equipment and Depreciation

Premises and equipment are stated at actual cost less accumulated depreciation. Assets under capital leases are stated at the present value of minimum lease payments. Depreciation is computed using the straight-line method over the estimated useful lives. Assets under capital leases and leasehold improvements are amortized straight-line over their estimated useful life or the lease term, as appropriate. Costs of application software for internal use are generally charged to income as incurred due to its estimated useful lives being relatively short, usually less than one year.

The cost and the accumulated depreciation for premises and equipment sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the statement of income. Interest related to the construction of qualifying assets is capitalized. Advances paid towards the acquisition of premises and equipment outstanding at each balance sheet date and the cost of premises and equipment not put to use before such date are disclosed as Assets under Construction.

g) Software Development Costs

Satyam capitalizes internally generated software development costs under the provisions of Statement of Financial Accounting (SFAS) 86, *"Accounting for Costs of Computer Software to be Sold, Leased or Otherwise Marketed."* Capitalization of computer software development cost begins upon the establishment of technological feasibility, which Satyam has defined as the completion of a prototype. Costs incurred prior to establishment of technological feasibility and other research and development expenses are charged to income as incurred. Costs incurred by Satyam between completion of the prototype and the point at which the product is ready for general release have been insignificant.

Research and development expenses charged to income amounted to US$644 thousand, US$633 thousand and US$1,365 thousand for the years ended March 31, 2005, 2004 and 2003 respectively.

h) Goodwill and Other Intangible Assets

Goodwill represents the difference between either a) the purchase price and the fair value of assets and liabilities acquired and/or b) the purchase price and additional interest in subsidiaries acquired from minority shareholders. Upto March 31, 2002, goodwill and other intangible assets including license fees were amortized over the useful lives principally over a period of 5 years based on management's estimate. Satyam has adopted SFAS 142 " *Goodwill and Other Intangible Assets"* on April 1, 2002 and accordingly goodwill is tested for impairment annually and reviewed for triggering events when circumstances indicate that the carrying amount may not be recoverable, and written down when impaired, rather than being amortized as required by previous standards. Further in accordance with SFAS 142 purchased intangible assets other than goodwill are amortized over their useful lives unless these lives are determined to be indefinite.

i) Impairment of Long-lived Assets

Satyam has adopted the provisions of SFAS 144 *"Accounting for the Impairment or Disposal of Long-Lived Assets"* on April 1, 2002. Satyam reviews long-lived assets, for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. Each impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset to its recorded value. If impairment is indicated, the asset is written down to its fair value. Assets to be disposed are reported at the lower of the carrying value or the fair value less cost to sell.

j) Investments

Satyam has evaluated its investment policies consistent with the provisions of SFAS 115, *"Accounting for Certain Investments in Debt and Equity Securities"* , and determined that all of its marketable investment securities are to be classified as available-for-sale. Accordingly, such securities are carried at fair value with unrealized gains and losses, net of taxes, reported as a separate component of other comprehensive income/(loss) until realized. Realized gains and losses and decline in value judged to be other-than-temporary are included in other income. The cost of securities sold is based on the first-in-first-out (FIFO) method. Interest and dividends on securities classified as available-for-sale are recognized when earned and included in other income. Other investments that are not marketable are carried at cost, subject to tests of other than temporary impairment.

k) Cost of Revenues and Selling, General and Administrative Expenses

Cost of revenues primarily include the compensation cost of technical staff, depreciation on dedicated assets and system software, travel costs, data communication expenses and other expenses incurred that are related to the generation of revenue.

Selling, general and administrative expenses generally include the compensation costs of sales, management and administrative personnel, travel costs, advertising, business promotion, depreciation on assets, application software costs, rent, repairs, electricity and other general expenses not attributable to cost of revenues.

l) Advertising Costs

Satyam expenses all advertising costs as incurred. Advertising costs charged to income amounted to US$1,088 thousand, US$957 thousand and US$1,914 thousand for the years ended March 31, 2005, 2004 and 2003 respectively.

m) Employee Benefits

i) Provident Fund

In accordance with Indian law, employees are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees' basic salary. Satyam has no further obligations under the plan beyond its monthly contributions. These contributions are made to the fund administered and managed by the Government of India. Satyam's monthly contributions are charged to income in the period they are incurred.

ii) Gratuity Plan

Satyam has a defined benefit retirement plan (the "Gratuity Plan") covering all its employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and years of employment with Satyam.

Satyam provides for the Gratuity Plan on the basis of actuarial valuation. The entire Gratuity Plan of Satyam Computer Services and Nipuna is unfunded.

iii) Superannuation Plan

In addition to the above benefits, the senior employees of Satyam Computer Services in India are entitled to receive benefits under the Superannuation Plan, a defined contribution plan. Satyam Computer Services makes yearly contributions under the Superannuation plan administered and managed by LIC, based on a specified percentage (presently 10.0%) of each covered employee's basic salary. Satyam Computer Services has no further obligations under the plan beyond its contributions.

iv) Other Benefit Plans

Satyam maintains a 401(k) retirement plan (the "401(k) Plan") covering all its employees in the United States. Each participant in the 401(k) Plan may elect to contribute up to 15.0% of his or her annual compensation to the 401(k) Plan. Satyam matches 50.0% of employee contributions, subject to a maximum of 3.0% of gross salary for all employees participating in the 401(k) plan. Effective October 1, 2003, Satyam Computer Services has discontinued its matching contribution under this plan.

n) Income Taxes

In accordance with the provisions of SFAS 109, *"Accounting for Income Taxes"*, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of enactment. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

o) Earnings Per Share

In accordance with the provisions of SFAS 128, *"Earnings Per Share"*, basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the "treasury stock" method for options and warrants, except where the results will be anti-dilutive.

p) Stock-Based Compensation

Satyam uses the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees"* , and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25,* issued in March 2000 to account for its employee stock-based compensation plan. Satyam has therefore adopted the pro-forma disclosure requirements of SFAS No. 123, *"Accounting for Stock-Based Compensation"* and SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123* . Pursuant to SFAS No. 123, all equity instruments issued to non-employees are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Pro forma Disclosure

Had deferred stock-based compensation cost been recognized based on the fair value at the date of grant in accordance with SFAS 123, the pro forma amounts of Satyam's net income and earnings per share would have been as follows for the years ended March 31, 2005, 2004 and 2003 respectively.

	Year ended March 31,		
	2005	2004	2003
		(US$ in thousands except per share data)	
Net Income			
— As reported	**$ 153,760**	**$ 111,860**	**$ 82,298**
Add: Charge under APB25	1,968	1,625	3,380
Less: Charge under FAS123	(22,646)	(25,231)	(23,249)
— Pro forma	**$ 133,082**	**$ 88,254**	**$ 62,429**
Earnings Per Share:			
Basic			
— As reported	$ 0.49	$ 0.36	$ 0.26
— Pro forma	$ 0.42	$ 0.28	$ 0.20
Diluted			
— As reported	$ 0.48	$ 0.35	$ 0.26
— Pro forma	$ 0.41	$ 0.28	$ 0.20

Note: The pro forma disclosures shown above are not representative of the effects on net income and earnings per share in future years.

The fair value of Satyam Computer Services' stock options used to compute pro forma net income and earnings per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model.

The following weighted average assumptions were used:

	Year ended March 31,		
	2005	2004	2003
Dividend yield	0.75%	0.61%	0.86%
Expected volatility	61%	69%	69%
Risk-free interest rate	7%	7%	9%
Expected term (in years)	2.03	2.69	2.77

q) Derivative financial instruments

Satyam has adopted the provisions of SFAS 133, *"Accounting for Derivative Instruments and Hedging Activities"* as amended. Satyam enters into foreign exchange forward and options contracts where the counter party is generally a bank. Satyam purchases foreign exchange forward and options contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in certain foreign currencies. These contracts do not qualify for hedge accounting under SFAS 133, as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS 133, as amended is marked to market and recognized in earnings immediately.

r) Recently issued accounting pronouncements

Share-Based Payments

On December 16, 2004, the FASB issued FAS 123R, *"Share-Based Payment, an amendment of FASB Statements No. 123 and 95,"* that addressed the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. This statement eliminates the ability to account for share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, *"Accounting for Stock Issued to Employees,"* and require that such transactions be accounted for using a fair-value-based method and recognized as expenses in our consolidated statement of income. The standard requires that the modified prospective method be used, which requires that the fair value of new awards granted from the beginning of the year of adoption (plus unvested awards at the date of adoption) be expensed over the vesting period. In addition, the statement encourages the use of the "binomial" approach to value stock options, which differs from the Black-Scholes option pricing model that we currently use in the footnotes to our consolidated financial statements.

The revised FAS 123R as issued by FASB will have a significant impact on our consolidated statement of income as Satyam Computer Services, our subsidiaries and our associated companies will be required to expense the fair value of our stock option grants rather than expensing the intrinsic value of stock options as is our current practice. FAS 123R will be applicable to Satyam for annual periods beginning after June 15, 2005 and currently we have not determined which transition method we will use and have not estimated the likely impact.

s) Reclassifications

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current period's presentation.

3. Preferred Stock of Subsidiary

Nipuna issued 45,669,999 and 45,340,000 0.05% convertible redeemable cumulative preference shares of par value Rs 10 (US$0.22) per share in October 2003 and June 2004 respectively to the investors at an issue price of Rs.10 (US$0.22) per share, in exchange for an aggregate consideration of US$20 million.

As per the agreement, these preference shares are mandatorily convertible into equity shares of Nipuna no later than June 2007, if Nipuna achieves certain targets for revenues and profits earned up to March 31, 2006. If these targeted revenues and profits are not achieved by Nipuna along with other triggering events, the investors have an option to either redeem these preference shares or convert them. Although certain triggering events for early redemption as per the agreement have occurred during the period January 2004 to December 2004 the investors waived the right of early redemption.

If not converted, early converted or redeemed, these convertible preference shares are redeemable on maturity in June 2007 at a redemption premium, which could range between 7.5% to 13.5% p.a. The Investors are entitled to receive dividends at the rate of 0.05% per cent per annum, on the face value of Rs.10 (US$0.22) from the date of issuance of such Preference Shares. The dividends are cumulative, and payable in cash at the rate indicated above, whether or not they have been declared and whether or not there are profits, surplus or other funds of Nipuna legally available for the payment of dividends. These preference shares rank senior to all classes of Nipuna's currently existing capital stock or established subsequently with respect to dividend distributions and repayment of capital and premium upon a Bankruptcy Event or Change in Control with respect to Nipuna, unless the terms and conditions of such class expressly provide that such class will rank senior to or on parity with the convertible redeemable cumulative preference shares. The dividend on the preference shares for the period ended March 31, 2005 is payable.

4. Investments

Investments of Satyam consist of available-for-sale securities (“AFS”) and other non-marketable securities.

	As of March 31,			
	2005		2004	
	(US$ in thousands)			
Available-for-sale securities				
Cost and fair value		—	$	2,793
Other investments, at cost	**$**	**3,615**	**$**	**3,633**
Less: Provision for impairment		(3,615)		(3,633)
Investments — Non current		**—**	**$**	**2,793**

Satyam records an investment impairment charge on other non-marketable investments, which are carried at cost, when management believes an investment has experienced a decline in value that is judged to be other than temporary. Satyam monitors its investments for impairment by considering current factors including economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the investment. Based on its assessment of its carrying values of investments, Satyam impaired the entire carrying value of other non-marketable investments as of March 31, 2003 due to adverse changes in the above factors.

5. Investment in bank deposits

Investment in bank deposits represents term deposits placed with banks earning fixed rate of interest and amounted to US$411,623 thousand as of March 31, 2005 with maturities from more than one year to two years and US$332,133 thousand as of March 31, 2004 with maturities from more than three months to one year. Interest on investment in bank deposits is recognized on accrual basis.

6. Investments in associated companies

The carrying values of investments in various associated companies of Satyam are as follows:

	As of March 31, 2005	As of March 31, 2004
	(US$ in thousands)	
Sify	$ 20,415	$ 22,258
Satyam Venture	2,074	1,182
CA Satyam	755	834
Total	**$ 23,244**	**$ 24,274**

Sify

During the year ended March 31, 2003, due to the sale of new shares by Sify to SAIF and VentureTech, Satyam Computer Services' ownership interest in Sify reduced from 52.51% to 37.15%. Subsequent to December 9, 2002, Satyam Computer Services has accounted for its interest in Sify under the equity method of accounting, primarily due to lack of controlling interest in Sify. In addition, Satyam Computer Services has no future obligation to fund additional operating or financing requirements of Sify. Further during the year ended March 31, 2004, due to the sale of new shares by Sify to VentureTech and sale of 1 million Indian equity shares by Satyam Computer Services as per the sponsored ADS program of Sify, Satyam Computer Services' ownership interest in Sify was reduced from 37.15% to 32.04%.

The difference between the carrying value of the investment in Sify as of September 30, 2003 and the sale proceeds amounting to US$2,606 thousand has been accounted for as a gain during the year ended March 31, 2004 in the statement of income.

During the year ended March 31, 2005, Sify issued shares to its employees under Sify's ESOP plan. As a result, Satyam Computer Services' ownership interest in Sify reduced from 32.04% to 31.61%. The shares were issued to its employees at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of US$258 thousand, net of taxes during the year ended March 31, 2005 has been recorded as an increase in additional paid in capital.

The summarized financial information as to assets, liabilities and results of operations of Sify is presented below:

Balance sheet	As of March 31, 2005	As of March 31, 2004
	(US$ in thousands)	
Current assets	$ 51,943	$ 49,304
Non-current assets	40,235	38,232
Current liabilities	33,314	23,630
Net current asset	18,629	25,675
Shareholders' equity	57,281	62,573

Statement of Operations	Year ended March 31, 2005	Year ended March 31, 2004	For the period December 10, 2002 to March 31, 2003
	(US$ in thousands)		
Revenues	$ 82,839	$ 61,067	$ 15,286
Gross profit	36,439	28,873	7,178
Operating loss	10,355	12,903	5,116
Net loss	7,051	7,984	4,452

Satyam Computer Services' equity in loss of Sify, net of taxes amounted to US$1,737 thousand and US$2,230 thousand for the years ended March 31, 2005 and 2004 respectively and US$1,307 thousand for period from December 10, 2002 to March 31, 2003.

Satyam Venture

On October 28, 1999, Satyam Computer Services entered into an agreement with Venture Industries, USA ("Venture") to form an equally held joint venture company Satyam Venture Engineering Services Private Limited. ("Satyam Venture"). Satyam Computer Services holds 50% in Satyam Venture. The joint venture was formed on January 3, 2000 at Hyderabad, India. Satyam Venture is engaged in providing engineering solutions, software development and customization services specifically for the automotive industries worldwide. Satyam ComputerServices' equity in the profit/(loss) of Satyam Venture, net of taxes amounted to US$706 thousand, US$(3) thousand and US$179 thousand for the years ended March 31, 2005, 2004 and 2003 respectively.

CA Satyam

On December 29, 2000, Satyam Computer Services entered into an agreement with Computer Associates International, Inc. (“CA”) to form an equally held joint venture company CA Satyam ASP Private Limited (“CA Satyam”). Satyam Computer Services holds 50% in CA Satyam. The joint venture was formed in January 2001, at Mumbai, India. As per the agreement, both Satyam Computer Services and CA have invested US$1,500 thousand each in the joint venture. Satyam Computer Services equity in the loss of CA Satyam, net of taxes amounted to US$63 thousand, US$398 thousand and US$126 thousand for the years ended March 31, 2005, 2004 and 2003 respectively.

7. Premises, Equipment and Depreciation

Premises and equipment at cost less accumulated depreciation consist of:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Freehold land	$ 6,132	$ 4,179
Leasehold land	1,865	1,874
Premises	14,262	12,680
Computers including servers	99,800	82,279
System software	15,835	13,594
Office equipment	51,024	47,254
Furniture and fixtures	31,903	29,830
Vehicles	5,573	4,501
Assets under construction	16,010	7,393
Total	**242,404**	**203,584**
Less: Accumulated depreciation	(158,352)	(135,118)
Premises and equipment, net	**$ 84,052**	**$ 68,466**

Satyam has established the estimated useful lives of assets for depreciation purposes as follows:

Premises	28 years
Computers including servers	2-5 years
System Software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation expense amounted to US$25,049 thousand, US$24,397 thousand and US$33,576 thousand for the years ended March 31, 2005, 2004 and 2003 respectively.

8. Goodwill

Goodwill consists of:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Goodwill		
Acquisition of minority interest in		
Satyam Enterprise Solutions Limited	$ 23,582	$ 23,702
Satyam Technologies Inc. (formerly Satyam Manufacturing Technologies Inc.)	3,667	3,685
Total	**27,249**	**27,387**
Less: Accumulated amortization	(11,791)	(11,851)
Goodwill, net	**$ 15,458**	**$ 15,536**

Goodwill represents the excess of amount paid towards purchase price and non-refundable deposit over the fair value of assets acquired, and currently primarily relates to the acquisition of the minority interest in Satyam Enterprise Solutions Limited by Satyam Computer Services. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may not be recoverable as provided under FAS 142. Currently there is no impairment of goodwill; however, there can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

9. Income Taxes

The income tax expense consists of:

	Year ended March 31,		
	2005	2004	2003
		(US$ in thousands)	
Foreign taxes			
Current	$ 18,108	$ 20,205	$ 10,491
Deferred	(659)	279	433
Domestic taxes			
Current	9,106	3,355	3,046
Deferred	(1,251)	(1,295)	(4,201)
Aggregate taxes	**$ 25,304**	**$ 22,544**	**$ 9,769**

A reconciliation of the income tax expense to the amount computed by applying the statutory income tax rate to income before income tax expense is summarized below:

	Year ended March 31,		
	2005	2004	2003
		(US$ in thousands)	
Net income before taxes	**$ 180,158**	**$ 137,035**	**$ 84,324**
Enacted tax rates in India	36.59%	35.88%	36.75%
Computed tax expense	**$ 65,924**	**$ 49,162**	**$ 30,989**
Tax effect due to non-taxable export income	(52,744)	(38,218)	(31,089)

Difference arising from		5,524		6,985		3,363
Difference arising from different tax rates on gain on sale of investments		—		(562)		(2,478)
Stock-based compensation (non-deductible)		719		583		1,662
Changes in valuation allowance, including losses of subsidiaries		3,515		824		11,578
Effect of tax rate change		7		22		(9)
Others		2,359		3,748		(4,259)
Income taxes		**25,304**		**22,544**		**9,757**
Tax for earlier years		—		—		12
Income taxes recognized in the statement of income	**$**	**25,304**	**$**	**22,544**	**$**	**9,769**

The current provision for income taxes, net of payments, were US$10,671 thousand and US$8,630 thousand as of March 31, 2005 and 2004 respectively. The foreign taxes are due to income taxes payable in overseas tax jurisdictions by its offsite and onsite centers, principally in the United States. Satyam Computer Services benefits from tax incentive provided to software entities as an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operations of software development facilities designated as "Software Technology Parks" ("STP units"). The benefit of this tax incentive has historically resulted in an effective tax rate for Satyam Computer Services well below statutory rates. In case of Satyam Computer Services for various registered STP units these exemptions expire starting from fiscal 2006 through fiscal 2010. Satyam Computer Services subsidiaries are subject to income taxes of the countries in which they operate.

Satyam has not recognized deferred income taxes arising on income of Satyam Computer Services due to the tax benefit available to it in the form of a exemption from taxable income, except to the extent of timing differences which reverse after the tax holiday period or unless they reverse under foreign taxes. However, Satyam Computer Services earns certain other income and domestic income, which are taxable irrespective of the tax holiday as stated above.

Significant components of activities that gave rise to deferred tax assets and liabilities included in the financial statements are as follows:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Deferred tax assets:		
Operating loss carry forwards	$ 21,059	$ 17,582
Provision for accounts receivable, advances and investments	5,250	4,016
Premises and equipment	422	443
Others	3,840	2,065
Gross deferred tax assets	**30,571**	**24,106**
Less: Valuation allowance	(21,059)	(17,582)
Total deferred tax assets	**9,512**	**6,524**
Deferred tax liabilities:		
Premises and equipment	(3,457)	(3,023)
Provision for accounts receivable and advances	(2,558)	(1,975)
Investments in associated companies and gain on dilution of interest in a subsidiary	(5,482)	(5,734)
Total deferred tax liabilities	**(11,497)**	**(10,732)**
Net deferred tax liabilities	**$ (1,985)**	**$ (4,208)**

Satyam has not provided for any deferred income taxes on undistributed earnings of foreign subsidiaries due to the losses incurred by them since their inception. These losses aggregated to approximately US$36,398 thousand and US$37,173 thousand as of March 31, 2005 and 2004 respectively.

Operating loss carry forwards for tax purposes of Satyam amounts to approximately US$21,059 thousand and US$17,582 thousand as of March 31, 2005 and 2004 respectively and are available as an offset against future taxable income of such entities. These carry forwards expire at various dates primarily over 8 to 20 years. Realization is dependent on such subsidiaries generating sufficient taxable income prior to expiration of the loss carry forwards. A valuation allowance is established attributable to deferred tax assets and loss carry forwards in subsidiaries where, based on available evidence, it is more likely than not that they will not be realized.

Net deferred tax liabilities included in the consolidated balance sheets are as follows:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Current assets — deferred income taxes	$ 9,090	$ 6,081
Non-current assets — other assets*	422	443
Current liabilities — accrued expenses and other liabilities*	(2,558)	(1,975)
Long-term liabilities — Deferred income taxes	(8,939)	(8,757)
Net deferred tax liabilities	**$ (1,985)**	**$ (4,208)**

* *Included in "other assets" and "accrued expenses and other liabilities" respectively.*

10. Borrowings

Short-term debt

Short-term debt amounted to US$1,685 thousand and US$ Nil as of March 31, 2005 and 2004 respectively. Short-term debt represents export packing credit facility of Nipuna amounting to US$1,685 thousand at floating rate of interest of LIBOR+0.25% which is secured by a charge on book debts, accounts receivable and other moveable assets. The weighted-average interest rate on this borrowing was 3.61% for the year ended March 31, 2005.

Long-term debts

Long-term debts outstanding comprise of:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Secured debts, representing obligation principally to banks and financial institutions — 10.75% Rupee loans of SC-Trust, maturing serially through fiscal 2006	$ 1,919	$ 2,428
Hire Purchase Loans	2,369	1,754
Total Debt	**4,288**	**4,182**
Less: Current portion of long-term debts	(3,151)	(2,356)
Long-term debts, net of current portion	**$ 1,137**	**$ 1,826**

Rupee loans are secured by equity shares of Satyam Computer Services held by the SC-Trust. In 2003, SC-Trust has repaid its rupee loans maturing in January 2004 and March 2004, amounting to US$1,239 thousand and US$1,410 thousand, respectively, with an interest rate of 13% p.a. and has replaced them with new rupee loans in same principal amounts with a fixed interest rate of 10.75% p.a. maturing in July 2005.

Aggregate maturities of long-term debts subsequent to March 31, 2005, are US$3,151 thousand in fiscal 2006, US$887 thousand in fiscal 2007 and US$250 thousands in fiscal 2008.

Unused lines of credit

Unused lines of credit comprise of:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Short-term debt	$ 3,359	$ 8,065
Long-term debt	20,000	—
Non-fund facilities	14,130	4,877
Total Unused lines of credits	**$ 37,489**	**$ 12,942**

On January 6, 2005, Nipuna obtained a credit facility from a bank for long term borrowings to the extent of US$20 million with an interest rate of 0.95% above 6 month LIBOR. As per the terms of the facility, Nipuna may draw the funds prior to September 30, 2005. The borrowing is repayable in 3 years from each draw down of the borrowing. Nipuna intends to draw the funds as per the approval.

11. Employee Benefits

The Gratuity Plan

The following table sets forth the status of the Gratuity Plan of Satyam, and the amounts recognized in Satyam's consolidated balance sheets and statements of income.

	Year ended March 31,		
	2005	2004	2003
		(US$ in thousands)	
Accumulated benefit obligation	**$ 2,645**	**$ 1,948**	**$ 1,257**
Change in projected benefit obligation			
Projected benefit obligation at beginning of the year	$ 4,025	$ 2,481	$ 1,536
Service cost	1,477	889	623
Interest cost	274	203	156
Actuarial loss/(gain)	(263)	300	144
Benefits paid	(326)	(155)	(25)
Effect of exchange rate changes	(14)	307	47
Projected benefit obligation at end of the year	**5,173**	**4,025**	**2,481**
Change in plan assets			
Employer contribution	326	162	24
Benefits paid from plan assets	(326)	(162)	(24)
Fair value of plan assets at end of the year	—	—	—
Funded status of the plans	**(5,173)**	**(4,025)**	**(2,481)**
Unrecognized transition obligation	—	3	11
Unrecognized net actuarial loss	418	1,221	339
Amount recognized during the year	(23)	(4)	(3)

Accrued benefit cost	**$ (4,777)**	**$ (2,805)**	**$ (2,134)**

	Year ended March 31,		
	2005	2004	2003
		(US$ in thousands)	
The components of net gratuity costs are reflected below:			
Service cost	$ 1,477	$ 889	$ 623
Interest cost	274	203	156
Expected returns on plan assets	—	—	—
Amortization	3	12	11
Amount recognized during the year	20	8	3
Net gratuity costs	**$ 1,773**	**$ 1,112**	**$ 793**

The assumptions used in accounting for the gratuity plan for the years ended March 31, 2005, 2004 and 2003 are set out below:

Weighted-average assumptions used to determine benefit obligations:

	Year ended March 31,		
	2005	2004	2003
Discount rate	8.0%	7.0%	8.0%
Long-term rate of compensation increase	7.0%	7.0%	7.0%

Weighted-average assumptions used to determine net periodic benefit cost:

	Year ended March 31,		
	2005	2004	2003
Discount rate	7.0%	7.0%	8.0%
Long-term rate of compensation increase	7.0%	7.0%	7.0%

Cash Flows

Satyam expects to contribute US$324 thousand to its Gratuity plan during the year ending March 31, 2006. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Expected contribution
	(US$ in thousands)
For the financial year ended March 31,	
2007	$ 432
2008	578
2009	872
2010	1,410
2011-2015	8,711

Provident Fund

Satyam's contribution towards the Provident Fund amounted to US$6,839 thousand, US$3,360 thousand and US$2,633 thousand for the years ended March 31, 2005, 2004 and 2003 respectively.

Superannuation Plan

Satyam Computer Services’ contribution towards the Superannuation Plan maintained by LIC amounted to US$860 thousand, US$421 thousand and US$26 thousand for the years ended March 31, 2005, 2004 and 2003 respectively.

401(k) Plan

Satyam's matching contribution under 401(k) Plan amounted to US$ Nil, US$403 thousand and US$569 thousand for the years ended March 31, 2005, 2004 and 2003 respectively. Effective October 1, 2003, Satyam Computer Services has discontinued its matching contribution under this plan.

12. Earnings Per Share

Basic earning per share is computed on the basis of the weighted average number of shares outstanding (weighted average number of shares issued less unallocated, unvested and unexercised shares held by the SC-Trust). Allocated but unvested or unexercised shares not included in the calculation of weighted-average shares outstanding for basic earnings per share were 240,500 and 58,200 as of March 31, 2005 and 2004 respectively. Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding plus the effect of outstanding stock options using the "treasury stock" method.

In addition to the above, the unallocated shares held by SC-Trust, which are by definition unvested, have been excluded from all earnings per share calculations. Such shares amounted to 1,183,840 and 1,629,480 as of March 31, 2005 and 2004 respectively.

The components of basic and diluted earnings per share were as follows:

	Year ended March 31,		
	2005	2004	2003
	(US$ in thousands except share data)		
Net income	**$ 153,760**	**$ 111,860**	**$ 82,298**
Equity Shares:			
Average outstanding shares (in thousands)	316,184	313,155	311,797
Dilutive effect of Associate Stock Options (in thousands)	7,385	3,902	6,861
Share and share equivalents (in thousands)	**323,569**	**317,057**	**318,658**
Earnings per share			
Basic	$ 0.49	$ 0.36	$ 0.26
Diluted	$ 0.48	$ 0.35	$ 0.26

13. Stock-based Compensation Plans

ASOP plan

In May 1998, Satyam Computer Services established its Associate Stock Option Plan (the "ASOP plan"), which provided for the issue of 13,000,000 shares, as adjusted to eligible associates. Satyam Computer Services issued warrants to purchase these shares to a controlled associate welfare trust called the Satyam Associate Trust (the "SC-Trust"). In December 1999 the SC-Trust exercised all its warrants to purchase Satyam Computer Services shares prior to the stock split using the proceeds obtained from bank loans. As and when the SC-Trust issues warrants to eligible associates, the difference between the market price and the exercise price is accounted as deferred stock based compensation and amortized over the vesting period. The warrants vest immediately or vest over a period ranging from two to three years, depending on the associate's length of service and performance. Upon vesting, associates have 30 days in which to exercise these warrants. As of March 31, 2005, warrants (net of lapsed and cancelled) to purchase 11,805,860 equity shares have been granted to associates pursuant to ASOP since inception.

ASOP B plan

In April 2000, Satyam Computer Services established its Associate Stock Option Plan B (the "ASOP B") and reserved warrants for 41,727,140 shares to be issued to eligible associates with the intention to issue the warrants at the market price of the underlying equity shares on the date of the grant. These warrants vest over a period ranging from two to four years, starting with 20% in second year, 30% in the third year and 50% in the fourth year. Upon vesting, associates have 5 years to exercise these warrants. As of March 31, 2005, options (net of lapsed and cancelled) to purchase 30,889,452 equity shares have been granted to associates under this plan since inception.

ASOP ADS plan

In May 2000, Satyam Computer Services established its Associate Stock Option Plan (ADS) (the "ASOP (ADS)") to be administered by the Administrator of the ASOP (ADS) which is a committee appointed by the Board of Directors of Satyam Computer Services and reserved 2,574,665 ADSs (5,149,330 shares) to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the grant date. These warrants vest over a period of 1-10 years from the grant date. As of March 31, 2005, warrants (net of lapsed and cancelled) for 1,590,978 ADSs representing 3,181,956 equity shares have been granted to associates under the ASOP ADS since inception.

Warrant grants

During the year ended March 31, 2005, the SC-Trust issued immediately vesting warrants for 50,840 and warrants for 384,500 (net of nil warrants cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the year, under the ASOP B plan, Satyam Computer Services issued warrants for 11,957,233 (net of 2,248,524 warrants cancelled) shares to the associates. During the year, under the ASOP (ADS), Satyam Computer Services issued warrants for 2,64,560 ADS representing 529,120 (net of warrants for 102,164 ADS representing 204,328 shares cancelled) shares to associates under the ASOP (ADS) plan.

During the year ended March 31, 2004, the SC-Trust issued immediately vesting warrants for 92,500 and warrants for 89,500 (net of 11,700 warrants cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the year, under the ASOP B plan, Satyam Computer Services issued warrants for 4,465,271 (net of 645,528 shares cancelled) shares to the associates. During the year, under the ASOP (ADS), Satyam Computer Services issued warrants for 63,143 ADS representing 126,286 (net of warrants for 64,200 ADS representing 128,400 shares cancelled) shares to associates under the ASOP (ADS) plan.

During the year ended March 31, 2003, the SC-Trust issued immediately vesting warrants for 526,900 shares and warrants for 128,750 (net of 38,750 shares cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the same period, under the ASOP B plan, Satyam Computer Services issued warrants for 4,269,621 (net of 1,133,723 shares cancelled) shares to the associates. During the year warrants for 93,850 ADS representing 187,700 (net of warrants for 116,150 ADS representing 232,300 shares cancelled) shares to associates under the ASOP (ADS) plan.

Changes in number of equity shares representing stock options outstanding for each of the plans were as follows:

	Year ended March 31,								
	2005			2004			2003		
ASOP Plan	**Number of equity shares**		**Weighted Average Exercise Price**	**Number of equity shares**		**Weighted Average Exercise Price**	**Number of equity shares**		**Weighted Average Exercise Price**
Balance at the beginning of the year	**58,200**	**$**	**1.99**	**1,167,380**	**$**	**1.31**	**1,924,890**	**$**	**1.28**
Granted	435,340	$	2.24	193,700	$	1.68	694,400	$	1.52
Exercised	(253,040)	$	2.09	(523,140)	$	1.81	(1,273,000)	$	1.42
Cancelled	—		—	(11,700)	$	1.90	(38,750)	$	1.72
Lapsed	—		—	(768,040)	$	1.18	(140,160)	$	1.28
Balance at the end of the year	**240,500**	**$**	**2.35**	**58,200**	**$**	**1.99**	**1,167,380**	**$**	**1.31**
Exercisable at the end of the year	—		—	4,600	$	1.81	3,300	$	1.55
Weighted average fair value of options granted during the year		$	7.65		$	8.72		$	4.68

	Year ended March 31,								
	2005			2004			2003		
ASOP B	**Number of equity shares**		**Weighted Average Exercise Price**	**Number of equity shares**		**Weighted Average Exercise Price**	**Number of equity shares**		**Weighted Average Exercise Price**
Balance at the beginning of the year	**17,510,481**	**$**	**6.05**	**14,464,148**	**$**	**5.33**	**10,197,327**	**$**	**5.60**
Granted	14,205,757	$	8.06	5,110,799	$	6.33	5,403,344	$	4.78
Exercised	(2,637,399)	$	5.02	(1,418,938)	$	5.09	(2,800)	$	3.75
Cancelled	(2,248,524)	$	6.67	(645,528)	$	5.53	(1,133,723)	$	6.50
Balance at the end of the year	**26,830,315**	**$**	**7.14**	**17,510,481**	**$**	**6.05**	**14,464,148**	**$**	**5.33**
Exercisable at the end of the year	5,695,198	$	6.76	4,517,111	$	6.31	1,236,531	$	5.00
Weighted average fair value of options granted during the year		$	8.06		$	6.33		$	4.78

ASOP (ADS)	2005 Number of equity shares	2005 Weighted Average Exercise Price		2004 Number of equity shares	2004 Weighted Average Exercise Price		2003 Number of equity shares	2003 Weighted Average Exercise Price	
Balance at the beginning of the year	**2,362,864**	**$**	**5.92**	**2,526,550**	**$**	**5.08**	**2,338,850**	**$**	**4.97**
Granted	733,448	$	11.42	254,686	$	8.65	420,000	$	5.23
Exercised	(376,182)	$	5.41	(289,972)	$	5.42	—		—
Cancelled	(204,328)	$	7.82	(128,400)	$	5.41	(232,300)	$	5.01
Balance at the end of the year	**2,515,802**	**$**	**7.42**	**2,362,864**	**$**	**5.92**	**2,526,550**	**$**	**5.08**
Exercisable at the end of the year	713,700	$	5.43	343,506	$	4.91	206,084	$	4.95
Weighted average fair value of options granted during the year		$	11.42		$	8.65		$	5.23

(Year ended March 31,)

Information about number of equity shares representing stock options outstanding as on March 31, 2005:

Range of Exercise Price (per equity share)		Outstanding: Weighted Average Exercise Price (per equity share)	Outstanding: Weighted Average remaining contractual Life	Outstanding: Number of equity shares arising out of options	Exercisable: Weighted Average Exercise Price (per equity share)	Exercisable: Number of equity shares arising out of options
Rs 97.30- Rs 236.94	$ 2.23- $ 5.43	Rs 201.34 $4.62	0.56 Years	6,150,011	Rs 199.00 $4.56	1,960,260
Rs 236.95- Rs 564.33	$ 5.43- $ 12.94	Rs 334.77 $7.67	1.26 Years	22,568,223	Rs 318.68 $7.31	4,312,247
Rs 564.34- Rs 1281.20	$ 12.94- $ 29.37	Rs 521.00 $11.94	1.39 Years	868,383	Rs 616.83 $14.14	136,391

The US$ numbers in the above tables have been translated using the closing exchange rate as of March 31, 2005 1 US$ = Rs 43.62

Stock based compensation plan of Nipuna

In April 2004, Nipuna established its Employee Stock Option Plan (the “ESOP”). As per the ESOP, the options were granted at fair value as determined by an independent valuer as on the date of the grant and hence no compensation cost has been recognized. These options vest starting with 33.33% at the end of the second year, 33.33% at the end of the third year and remaining 33.34% at the end of the fourth year from the date of grant.

During the year ended March 31, 2005, Nipuna issued options for 813,578 Equity shares in June 2004 at weighted average exercise price of Rs.80 (US$1.78) being the fair market value per share. No options were exercised during the period.

Deferred Stock-based compensation

Satyam Computer Services recognized deferred stock-based compensation of US$2,244 thousand, US$762 thousand and US$1,745 thousand for the years ended March 31, 2005, 2004 and 2003 respectively. Satyam Computer Services amortized and charged to income US$1,968 thousand, US$1,625 thousand and US$3,380 thousand for the years ended March 31, 2005, 2004 and 2003 respectively.

Pursuant to APB 25, deferred stock-based compensation has been computed as of grant date based on the difference between the exercise price of the warrants and the market price of underlying shares of Satyam Computer Services. Deferred stock compensation is amortized on a graded vesting basis over the vesting period of the warrants.

14. Segmental Reporting

Satyam has adopted SFAS 131; *"Disclosures about Segments of an Enterprise and Related Information"* which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on stand-alone revenues and net income for the companies in Satyam.

The executive management evaluates Satyam's operating segments based on the following three-business groups:

- *IT services,* providing a comprehensive range of services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions, infrastructure management services. Satyam provides its customers the ability to meet all of their information technology needs from one service provider. Satyam's eBusiness services include designing, developing integrating and maintaining Internet-based applications, such as eCommerce websites, and implementing packaged software applications, such as customer or supply chain management software applications. Satyam also assists its customers in making their existing computing systems accessible over the Internet.

- *Business Process Outsourcing,* providing BPO services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

- *Software Products,* product development and creation of propriety software.

Satyam's operating segment information for the years ended March 31, 2005, 2004 and 2003 are as follows:

Business Segments

	IT Services	BPO	Software Products	Elimination	Consolidated totals
			(US$ in thousands)		
For the year ended March 31, 2005					
Revenue — External customers	$ 786,684	$ 6,913	—	—	$ 793,597
Revenue — Inter-segment	760	3,051	—	$ (3,811)	—
Total Revenues	**787,444**	**9,964**	**—**	**(3,811)**	**793,597**
Operating income/(loss)	171,825	(9,329)	—	—	162,496
Equity in earnings/(losses) of associated companies, net of taxes	(1,094)	—	—	—	(1,094)
Net income/(loss)	163,653	(9,893)	—	—	153,760
Segment assets	885,141	16,138	34	(17,187)	884,126
Depreciation	23,362	1,687	—	—	25,049
Capital expenditures for long-lived assets	37,315	3,749	—	—	41,064
For the year ended March 31, 2004					
Revenue — External customers	$ 565,028	$ 1,293	$ 51	—	$ 566,372
Revenue — Inter-segment	405	1,097	72	$ (1,574)	—
Total Revenues	**565,433**	**2,390**	**123**	**(1,574)**	**566,372**
Operating income/(loss)	125,402	(4,055)	(198)	—	121,149
Equity in earnings/(losses) of associated companies, net of taxes	(2,631)	—	—	—	(2,631)
Net income/(loss)	116,195	(4,140)	(195)	—	111,860
Segment assets	719,262	9,897	34	(15,425)	713,768
Depreciation	24,006	388	3	—	24,397
Capital expenditures for long-lived assets	15,628	2,436	—	—	18,064

	IT Services	BPO	Software Products	Elimination	Consolidated totals
			(US$ in thousands)		
For the year ended March 31, 2003					
Revenue — External customers	$ 458,336	—	$ 871	—	$ 459,207
Revenue — Inter-segment	—	—	253	$ (253)	—
Total Revenues	**458,336**	**—**	**1,124**	**(253)**	**459,207**
Operating income	83,407	—	232	—	83,639
Equity in earnings/(losses) of associated companies, net of taxes	(3,339)	—	—	—	(3,339)
Net income	82,066	—	232	—	82,298
Segment assets	590,432	—	1,036	(29,774)	561,694
Depreciation and amortization of other intangible assets	37,102	—	75	—	37,177
Capital expenditures for long-lived assets	11,015	—	1	—	11,016

The capital expenditures for long-lived assets in the above table represent the additions to premises and equipment (fixed assets) of each segment.

Geographic Information

The revenues that are attributable to countries based on location of customers and long-lived assets are as follows:

	Year ended March 31,					
	2005		2004		2003	
	Revenues from external customers	Long-lived assets	Revenues from external customers	Long-lived assets	Revenues from external customers	Long-lived assets
	(US$ in thousands)					
North America	$ 542,387	$ 4,033	$ 414,944	$ 3,973	$ 335,930	$ 3,939
Europe	131,708	616	77,790	531	53,265	579
India	27,172	92,103	16,050	77,446	27,911	77,785
Japan	13,860	521	11,108	227	10,473	348
Rest of the World	78,470	2,237	46,480	1,825	31,628	693
Total	**$ 793,597**	**$ 99,510**	**$ 566,372**	**$ 84,002**	**$ 459,207**	**$ 83,344**

The long-lived assets in the above table represent premises and equipment and intangible assets of each segment.

15. Related Party Transactions

Related party transactions comprise of

	Year ended March 31,		
	2005	2004	2003
	(US$ in thousands)		
Infrastructure and other services provided by Satyam to			
Sify, its subsidiaries and associated companies	$ 67	$ 72	$ 68
Satyam Venture	315	1,225	875
Satyam GE	—	—	9
Total	**$ 382**	**$ 1,297**	**$ 952**
Services/ Interest received by Satyam from			
Sify, its subsidiaries and associated companies	$ 1,441	$ 1,439	$ 245
Satyam Venture	7,110	5,338	357
Total	**$ 8,551**	**$ 6,777**	**$ 602**

The balances receivable from and payable to related parties are as follows:

	As of March 31,	
Amount due from/(to) associated companies	**2005**	**2004**
	(US$ in thousands)	
Sify, its subsidiaries and associated companies	$ (460)	$ (257)
Satyam Venture	(3,103)	(1,345)
Total	**$ (3,563)**	**$ (1,602)**

16. Shareholders' Equity-Dividends

Final dividends proposed by the Board of Directors are payable when formally declared by the shareholders, who have the right to decrease but not increase the amount of the dividend recommended by the Board of Directors. The Board of Directors declares interim dividends without the need for shareholders' approval.

Dividends payable to equity shareholders are based on the net income available for distribution as reported in Satyam Computer Services unconsolidated financial statements prepared in accordance with Indian GAAP. As such, dividends are declared and paid in Indian Rupees. The net income in accordance with U.S. GAAP may, in certain years, either not be fully available or will be additionally available for distribution to equity shareholders. Under Indian GAAP the retained earnings available for distribution to equity shareholders was US$559,817 thousand, US$422,723 thousand and US$291,874 thousand for the years ended March 31, 2005, 2004 and 2003 respectively.

Under the Indian Companies Act, dividends may be paid out of the profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10.0% of the par value of its equity shares, a company is required to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10.0%, depending on the dividend percentage to be declared in such year.

17. Contingencies and Commitments

a) Funding and Warrant commitments — Nipuna

Satyam Computer Services has guaranteed payment of all sums payable by Nipuna to the Investors on redemption of the 0.05% cumulative convertible redeemable preference shares. Further Satyam Computer Services is required to subscribe to convertible debentures amounting to US$20 million based on certain provisions in the agreement. These convertible debentures shall bear an interest rate equal to the prime lending rate of the State Bank of India prevailing at that time and are convertible upon the election of Nipuna into Ordinary Shares at any time after issuance.

Satyam Computer Services, Nipuna and the investors have also entered into a warrant agreement whereby Nipuna agrees to issue to the Investors, one warrant in consideration of and based upon every US$100 thousand referral revenues received by Nipuna or its subsidiaries at any time during the period commencing from the date of initial closing and ending in June 2007 from business referred to Nipuna or its subsidiaries by an investor or its affiliates. These warrants are convertible into ordinary equity shares of Nipuna subject to a maximum of 7.5% of the then outstanding equity share capital of Nipuna on a fully diluted basis during the exercise period at the price per share then in effect and subject to other terms and conditions set forth in the agreement. As of March 31, 2005, there were no referral revenues and hence no warrants have been issued.

b) Bank guarantees

Bank guarantees outstanding amounted to US$8,186 thousand and US$5,344 thousand as of March 31, 2005 and 2004 respectively. Bank guarantees are generally provided to government agencies, excise and customs authorities for the purposes of maintaining a bonded warehouse. These guarantees may be revoked by the governmental agencies if they suffer any losses or damage through the breach of any of the covenants contained in the agreements.

c) Capital commitments

Contractual commitments for capital expenditure pending execution were US$8,801 thousand and US$4,414 thousand as of March 31, 2005 and 2004 respectively.

Contractual commitments for capital expenditures are relating to acquisition of premises and equipment.

d) Operating leases

Satyam has certain operating leases for office premises and guesthouses. Rental expenses for operating leases are accounted for on a straight line method. Rental expense amounted to US$12,534 thousand, US$9,110 thousand and US$8,735 thousand for the years ended March 31, 2005, 2004 and 2003 respectively.

Future minimum annual lease commitments for non-cancelable lease arrangements, including those leases for which renewal options may be exercised as of March 31, 2005 are US$4,351 thousand in fiscal 2006, US$3,660 thousand in fiscal 2007, US$1,992 thousand in fiscal 2008 and US$1,349 thousand in fiscal 2009 and thereafter.

18. Concentration of Credit Risk

Accounts receivable balances are typically unsecured and are derived from revenues earned from customers primarily located in the United States. Satyam monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. The following table gives details in respect of percentage of revenues generated from top two and top five customers:

	Year ended March 31,		
	2005	2004	2003
Revenues generated from top two customers			
Customer I	10.81%	14.28%	16.14%
Customer II	7.35%	9.92%	8.71%
Total revenues from top five customers	29.21%	36.45%	38.41%

19. Financial Instruments

Forward and options contracts

Satyam Computer Services enters into foreign exchange forward and options contracts where the counter party is generally a bank. Satyam Computer Services considers the risks of non-performance by the counter party as not material.

The following tables give details in respect of our outstanding foreign exchange forward and options contracts:

	As at March 31,		
	2005	2004	2003
	(US$ in thousands)		
Aggregate contracted principal amounts of contracts outstanding:			
Forward contracts	$ 160,000	$ 44,500	$ 4,000
Options contracts	141,500	—	—
Total	**$ 301,500**	**$ 44,500**	**$ 4,000**
Gains/(loss) on outstanding contracts:			
Forward contracts	$ 1,034	$ 435	$ 43
Options contracts	72	—	—

Total	**$ 1,106**	**$ 435**	**$ 43**

The outstanding foreign exchange forward and options contracts as of March 31, 2005 mature between one to nine months.

Gains/(losses) on foreign exchange forward and options contracts included under the head other income/(expense) in the statement of income are as stated below:

	Year ended March 31,		
	2005	2004	2003
		(US$ in thousands)	
Forward contracts	$ (485)	$ 2,361	$ 56
Options contracts	146	—	—
Total	**$ (339)**	**$ 2,361**	**$ 56**

Fair value

The carrying amounts reported in the balance sheets for cash and cash equivalents, investments in bank deposits trade and other receivables, investments, amounts due to or from related parties, short-term debts, accounts payable and other liabilities approximate their respective fair values due to their short maturity. The approximate fair value of long-term debts, as determined by using current interest rates was US$4,292 thousand and US$4,189 thousand as of March 31, 2005 and 2004 respectively as compared to the carrying amounts of US$4,288 thousand and US$4,182 thousand as of March 31, 2005 and 2004 respectively.

20. Schedules of Balance sheet

a) Cash and Cash Equivalents

The cash and cash equivalents consist of:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Cash and bank balances	$ 128,123	$ 80,676
Cash equivalents	1,692	6,054
Cash and cash equivalents	**$ 129,815**	**$ 86,730**

b) Accounts receivable and allowance for doubtful debts

Accounts receivable consist of:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Customers (trade)	$ 178,384	$ 147,142
Related parties	72	615
Less: Allowance for doubtful debts	(17,533)	(13,930)
Accounts receivable	**$ 160,923**	**$ 133,827**

The allowance for doubtful debt is established at amounts considered to be appropriate based primarily upon Satyam's past credit loss experience and an evaluation of potential losses on the outstanding receivable balances.

c) Prepaid Expenses and Other Receivables

Prepaid expenses and other receivables consist of:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Interest accrued on bank deposits	—	$ 21,074
Prepaid expenses	$ 4,423	3,887
Directors liability insurance	332	418
Advance for expenses	5,649	4,614
Loans and advance to employees	4,701	2,892
Other advances and receivables	2,741	1,616
Less: Allowance for doubtful advances	(1,743)	(1,596)
Prepaid expenses and other receivables	**$ 16,103**	**$ 32,905**

Prepaid expenses principally include the un-expired portion of annual rentals paid for use of leased telecommunication lines, satellite link charges, and insurance premiums.

Others advances and receivables include the current portion of the restricted cash in the form of deposits placed with banks to obtain bank guarantees amounted to US$29 thousand and US$ Nil as of March 31, 2005 and 2004 respectively.

d) Other Assets

Other assets consist of:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Interest accrued on bank deposits	$ 5,607	—
Deposits	9,614	$ 6,901
Loans and advances to employees due after one year	876	902
Deferred taxes on income	422	443
Others	1,833	1,599
Less: Allowance for doubtful advances	(1,563)	(1,571)
Other Assets	**$ 16,789**	**$ 8,274**

Others include the non-current portion of the restricted cash in the form of deposits placed with banks to obtain bank guarantees amounted to US$398 thousand and US$294 thousand as of March 31, 2005 and 2004 respectively. Telephone and other deposits are primarily attributable to deposits with government organizations principally to obtain leased telephone lines and electricity supplies and advance payments to vendors for the supply of goods and rendering of services.

e) *Accrued Expenses and Other Current Liabilities*

Accrued expenses and other current liabilities consist of:

	As of March 31,	
	2005	2004
	(US$ in thousands)	
Accrued expenses	$ 28,311	$ 21,791
Unclaimed dividend	1,051	827
Provision for taxation, net of payments	10,671	8,630
Provision for gratuity and unutilized leave	9,454	4,935
Deferred taxes on income	2,558	1,975
Others	12,709	8,516
Accrued expenses and other current liabilities	**$ 64,754**	**$ 46,674**

21. Subsequent event

On April 21 2005, Satyam announced its intention to acquire Citisoft plc, or Citisoft, a specialist business and systems consulting firm that has focused on the investment management industry since 1986. Citisoft is a UK-based firm, with operating presences in London, Boston and New York. Satyam intends to acquire 75% of the shares of Citisoft, and the balance 25% in two equal tranches over the next three years.

The total consideration for this acquisition would be approximately $38.7 million including a performance-based payment of up to $15.8 million over three years, conditional upon specified revenue and profit targets being met. The transaction is expected to be consummated by end of April 2005 and is subject to various regulatory approvals.

Satyam Computer Services Limited

Financial Statement Schedule

Financial Statement Schedule — Valuation and qualifying accounts

1. Change in valuation allowance on deferred tax assets:

	Year ended March 31,		
	2005	2004	2003
		(US$ in thousands)	
At the beginning of the year	$ 17,582	$ 15,265	$ 49,515
Change during the period	3,515	824	11,578
Change due to foreign exchange	(38)	1,493	546
Due to change in ownership interest in Sify	—	—	(46,374)
At the end of the year	**$ 21,059**	**$ 17,582**	**$ 15,265**

2. Allowance for doubtful accounts on trade accounts receivable:

	Year ended March 31,		
	2005	2004	2003
		(US$ in thousands)	
At the beginning of the year	$ 13,930	$ 9,180	$ 9,495
Additions	7,521	6,338	4,212
Write offs, net of recoveries	(3,818)	(2,694)	(1,439)
Change due to foreign exchange	(100)	1,106	248
Due to change in ownership interest in Sify	—	—	(3,336)
At the end of the year	**$ 17,533**	**$ 13,930**	**$ 9,180**

3. Allowance for doubtful advances:

a) Prepaid Expenses and Other Receivables

	Year ended March 31,		
	2005	2004	2003
		(US$ in thousands)	
At the beginning of the year	$ 1,596	$ 1,201	—
Additions	151	265	$ 1,179
Write offs, net of recoveries	—	—	—
Change due to foreign exchange	(4)	130	22
At the end of the year	**$ 1,743**	**$ 1,596**	**$ 1,201**

b) Other Assets

	Year ended March 31,		
	2005	2004	2003
	(US$ in thousands)		
At the beginning of the year	$ 1,571	$ 1,434	$ 1,396
Additions	—	—	—
Write offs, net of recoveries	—	—	—
Change due to foreign exchange	(8)	136	38
At the end of the year	**$ 1,563**	**$ 1,571**	**$ 1,434**

Exhibit 99.3

Satyam Computer Services Limited

Regd. Office: Mayfair Centre, I Floor, 1-8-303/36, S.P.Road, Secunderabad — 500 003.

Audited financial results for the quarter and year ended March 31, 2005

Rs. in lakhs

Sl.No.	Particulars	Quarter ended 31-03-2005	Quarter ended 31-03-2004	Year ended 31-03-2005	Year ended 31-03-2004
1	Income from services				
	-Exports	92,723.56	69,662.26	336,243.08	247,201.18
	-Domestic	2,612.84	2,408.26	10,179.42	6,953.34
2	Other income	2,527.51	499.60	8,255.49	8,173.07
3	**Total income**	**97,863.91**	**72,570.12**	**354,677.99**	**262,327.59**
4	Personnel expenses	55,536.52	39,850.75	199,758.83	133,791.72
5	Operating and administration expenses	15,468.61	13,237.62	57,748.88	51,104.94
6	Total expenditure	71,005.13	53,088.37	257,507.71	184,896.66
7	**Profit before interest, depreciation and tax (PBIDT)**	**26,858.78**	**19,481.75**	**97,170.28**	**77,430.93**
8	Financial expenses	19.93	17.52	75.73	74.88
9	Depreciation	2,692.80	2,541.06	10,394.21	11,161.58
10	Profit before taxation	24,146.05	16,923.17	86,700.34	66,194.47
11	Provision for taxation	2,825.14	2,838.82	11,674.34	10,615.29
12	**Net profit**	**21,320.91**	**14,084.35**	**75,026.00**	**55,579.18**
13	Paid-up equity share capital (Par value of Rs.2 per share)	6,385.31	6,325.03	6,385.31	6,325.03
14	Reserves excluding revaluation reserves	315,317.45	251,751.58	315,317.45	251,751.58
15	EPS (On par value of Rs. 2 per share)				
	- Basic (Rs.)	6.68	4.46	23.61	17.64*
	- Diluted (Rs.)	6.54	4.38	23.12	17.36*
16	Dividend per share (On par value of Rs.2 per share)				
	- Interim dividend(Rs.)	—	—	2.00	1.20
	- Final dividend(Rs.)	3.00	2.80	3.00	2.80
17	Aggregate of non-promoter shareholding				
	- Number of Shares	269,229,688	261,382,038	269,229,688	261,382,038
	- Percentage of shareholding	84.33	82.65	84.33	82.65

** Includes Rs. 0.44 per share due to profit on sale of 1,000,000 shares of Sify Ltd. through its sponsored ADS programme.*

Satyam
What Business Demands.

Segment wise revenue, results and capital employed for the quarter and year ended March 31, 2005

Rs. in lakhs

Sl.No	Particulars	Quarter ended 31-03-2005	Quarter ended 31-03-2004	Year ended 31-03-2005	Year ended 31-03-2004
1	**Segment revenue**				
	Information technology services	95,336.40	72,070.52	346,422.50	254,154.52
	Less: Inter segment revenue	—	—	—	—
	Net Sales income from operations	95,336.40	72,070.52	346,422.50	254,154.52
2	**Segment profit / (loss) before tax and interest**				
	Information technology services	21,638.47	16,441.09	78,520.58	58,096.28
	Less: Financial expenses	19.93	17.52	75.73	74.88
	Add: Other income	2,527.51	499.60	8,255.49	8,173.07
	Total profit before tax	24,146.05	16,923.17	86,700.34	66,194.47
3	**Capital employed**				
	Information technology services	135,558.34	98,499.56	135,558.34	98,499.56

Notes:

1. The results for the quarter and year ended March 31, 2005 have been taken on record by the Board of Directors at its meeting held today.

2. A final dividend of 150% (Rs. 3 per share on par value of Rs. 2 per share) has been recommended at the Board Meeting, subject to the approval of the shareholders. Thereby, the total dividend recommended for the year is 250 % (Rs.5 per share on par value of Rs. 2 per share), including interim dividend of 100% (Rs.2 per share on par value of Rs. 2 per share). The register of members and share transfer books will remain closed from July 18, 2005 to July 22, 2005, both days inclusive, for the purpose of Annual General Meeting, to be held on July 22, 2005 and final dividend.

3. The Company announced Sponsored American Depository Shares (ADSs) Offering with a size not exceeding 30,000,000 Equity shares representing 15,000,000 ADSs. The Company has filed a Registration Statement on Form F-3 with Securities and Exchange Commission, US.

4. The Board of Directors of the Company in its meeting held today approved the proposed acquisition of Citisoft Plc (UK), (Citisoft), a business and systems consulting Services Company. The Company will acquire 100% of the fully diluted share capital of Citisoft for a total maximum purchase consideration of £20.5 million in all cash transaction. The Company will initially acquire approximately 75% of Citisoft and the balance 25% in 2 equal installments. The purchase consideration would comprise an initial consideration, deferred consideration and contingent consideration based on earnings. The transaction is expected to be consummated by end of April 2005 and is subject to various regulatory approvals.

5. The total manpower strength as on March 31, 2005 stood at 19,164 associates as against 17,665 associates as on December 31, 2004 signifying an increase of 1,499 associates. The number of technical associates increased by 1,363 to close the quarter at 17,859 (16,496 associates as on December 31, 2004).

6. Details of investor complaints for the quarter ended March 31, 2005:

Nature	Pending as on January 01, 2005	Received during the quarter	Disposed off during the quarter	Unresolved at the end of the quarter
Transfer of /Demat / Split / Bonus shares	0	15	15	0
Dividends	0	27	27	0
Total	0	42	42	0

7. The Company allotted 411,042 and 3,013,581 equity shares of Rs.2/- each during the quarter and year ended March 31, 2005 respectively pursuant to the exercise of stock options by the associates.

8. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current periods.

Consolidated financial results as per Indian GAAP for the quarter and year ended March 31, 2005

Rs. in lakhs

Sl.No	Particulars	Quarter ended 31-03-2005 (Unaudited)	Quarter ended 31-03-2004 (Unaudited)	Year ended 31-03-2005 (Audited)	Year ended 31-03-2004 (Audited)
1	Income from services				
	- Exports	93,756.86	69,780.41	338,695.48	248,835.63
	- Domestic	3,394.56	2,565.89	13,389.43	7,213.56
2	Other income	2,978.15	428.53	8,683.23	7,507.32
3	**Total income**	**100,129.57**	**72,774.83**	**360,768.14**	**263,556.51**
4	Personnel expenses	56,401.36	39,811.34	202,610.91	134,550.61
5	Cost of software and hardware sold	26.93	13.86	99.48	81.65
6	Operating and administration expenses	16,895.85	13,912.62	62,555.46	53,690.22
7	Total expenditure	73,324.14	53,737.82	265,265.85	188,322.48
8	**Profit before interest, depreciation, tax & miscellaneous write offs**	**26,805.43**	**19,037.01**	**95,502.29**	**75,234.03**
9	Financial expenses	24.03	20.25	91.19	102.16
10	Depreciation	3,000.04	2,646.06	11,329.85	11,502.02
11	Miscellaneous expenditure written off	(15.46)	86.21	215.83	373.32
12	**Profit before taxation**	**23,796.82**	**16,284.49**	**83,865.42**	**63,256.53**
13	Provision for taxation	2,825.48	2,829.69	11,756.07	10,625.94
14	**Profit after taxation and before share of loss in associate company**	**20,971.34**	**13,454.80**	**72,109.35**	**52,630.59**
15	Share of loss in associate company	(354.78)	(23.54)	(944.86)	(1,292.02)
16	**Profit after taxation and share of loss in associate company**	**20,616.56**	**13,431.26**	**71,164.49**	**51,338.57**
17	Paid-up equity share capital (par value of Rs.2 per share).	6,385.31	6,325.03	6,385.31	6,325.03
18	Reserves excluding revaluation reserves	314,281.29	254,458.23	314,281.29	254,458.23
19	Preference shares of Rs. 10 each issued by Subsidiary Company	9,101.00	4,567.00	9,101.00	4,567.00
20	EPS (On par value of Rs. 2 per share)				
	- Basic (Rs.)	6.46	4.26	22.40	16.29*
	- Diluted (Rs.)	6.32	4.20	21.93	16.04*
21	Aggregate of non-promoter shareholding				
	- Number of Shares	269,229,688	261,382,038	269,229,688	261,382,038
	- Percentage of shareholding	84.33	82.65	84.33	82.65

** Includes Rs.0.25 per share due to profit on sale of 1,000,000 shares of Sify Ltd through its sponsored ADS programme.*

Notes:

1. The consolidated financial statements of Satyam Computer Services Ltd (Satyam) and its majority owned domestic and foreign subsidiaries are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India. All significant intra-group balances and intra-group transactions and resulting unrealised profits have been eliminated. Investment in business entities in which Satyam does not have control, but has the ability to exercise significant influence over operating and financial policies (generally 20%-50% ownership), are accounted for by equity method in accordance with AS 23 on Accounting for Investments in Associates in Consolidated Financial Statements. The financial statements also include the results of our joint ventures consolidated on proportionate consolidation method in accordance with AS 27 on Financial Reporting of Interest in Joint Ventures.

2. The results of business entities, which have been consolidated with the results of Satyam, include 100% subsidiaries as on March 31, 2005, Nipuna Services Limited, Satyam Technologies, Inc.(formerly Satyam Manufacturing Technologies, Inc.), Satyam Computer Services (Shanghai) Company Ltd, Satyam Asia Pte Limited (up to October 22, 2004) and Satyam Europe Ltd (up to March 8, 2005). The results also include the results of our associated company Sify Ltd., which has been accounted for by equity method and of our joint ventures Satyam Venture Engineering Services Pvt. Ltd. and CA Satyam ASP Pvt. Ltd., which have been accounted using proportionate consolidation method.

3. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current periods.

For and on behalf of the Board of Directors

Place : Secunderabad
Date : April 21, 2005

B.Rama Raju
Managing Director

Consolidated financial results as per US GAAP for the three months and year ended March 31, 2005.

In thousand US$

Sl.No.	Particulars	Three months ended 31-03-2005 (Unaudited)	Three months ended 31-03-2004 (Unaudited)	Year ended 31-03-2005 (Audited)	Year ended 31-03-2004 (Audited)
1	Revenues	$ 225,002	$ 164,979	$ 793,597	$ 566,372
2	Gross profit	76,350	67,557	286,821	222,776
3	Income before income taxes and equity in earnings /(losses) of associated companies	52,509	35,134	180,158	137,035
4	Net income	$ 45,770	$ 29,708	$ 153,760	$ 111,860
5	Earnings per share				
	- Basic (US$)	0.14	0.09	0.49	0.36
	- Diluted (US$)	0.14	0.09	0.48	0.35

Satyam
What Business Demands.

Notes to Consolidated Financial Results as per US GAAP:

1. The consolidated financial statements of Satyam Computer Services Ltd (Satyam) and its majority owned domestic and foreign subsidiaries are prepared in accordance with generally accepted accounting principles applicable in the United States (US GAAP). All significant inter-company balances and transactions have been eliminated.

2. The results of business entities, which have been consolidated, with the results of Satyam include 100% subsidiaries, as on March 31, 2005, Nipuna Services Ltd, Satyam Technologies, Inc. (formerly Satyam Manufacturing Technologies, Inc.), Satyam Computer Services (Shanghai) Company Ltd, Satyam Asia Pte Limited (up to October 22, 2004) and Satyam Europe Ltd. (up to March 8, 2005). The results also include Satyam Associate Trust and the results of our associated companies Satyam Venture Engineering Services Pvt. Ltd., CA Satyam ASP Pvt. Ltd. and Sify Ltd.

3. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current periods.

4. Statement showing reconciliation between net profit as per Indian GAAP and US GAAP for the quarter and year ended March 31, 2005 is as follows :

In thousand US$

Sl. No.	Particulars	Quarter ended 31-03-2005	Quarter ended 31-03-2004	Year Ended 31-03-2005	Year ended 31-03-2004
1	**Net profit as per Indian GAAP**	**$ 48,905**	**$ 31,137**	**$ 167,443**	**$ 121,079**
2	Profit / (Loss) of subsidiaries and associated companies	(2,530)	(548)	(10,355)	(7,326)
3	Deferred stock compensation charge	(425)	(557)	(1,995)	(1,598)
4	Sale of shares in Sify	—	—	—	(1,216)
5	Others, net	(180)	(324)	(1,333)	921
6	Total adjustments	(3,135)	(1,429)	(13,683)	(9,219)
7	**Net income as per US GAAP**	**$ 45,770**	**$ 29,708**	**$ 153,760**	**$ 111,860**

Safe Harbor:

This press release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements.

For a discussion of the risks associated with our business, please see the discussions under the heading “Risk Factors” in our report on Form 6K concerning the fiscal quarter ended December 31, 2004 furnished to the United States Securities Exchange Commission on February 14, 2005 and the other reports filed with the Securities Exchange Commission from time to time. These filings are available at www.sec.gov.

Exhibit 99.4

INVESTOR NEWS UPDATE Q4, FISCAL 2005

investorLink™

Satyam
What Business Demands.

April 21, 2005

Dear Investor,

I am pleased to report that the Company has recorded revenue of Rs. 953.37 crore and an EPS of Rs. 6.68 in Q4, representing a sequential growth of 7.0% and 21.7% respectively. Q4 is a landmark quarter in more ways than one. The quarter saw Satyam recording a total income in excess of Rs. 1000 crore on a consolidated basis. During the quarter, Satyam, along with its subsidiaries, became one of the youngest companies in the global IT industry to cross the milestone of 20,000 Associates.

For fiscal 2005, we achieved revenue of Rs. 3464.22 crore and an EPS of Rs. 23.61, an annual growth of 36.3% and 37.3% respectively. FY05 also witnessed an addition of 5132 Associates, the highest in any single year.

The performance in Q4 is a continuation of the broad-based growth witnessed in the last several quarters, demonstrating the strength of our de-risked business model. In Q4 we had 130 customers with annual revenue run rate of more than US$ 1 million, an increase of 46% over the last four quarters. This is also an outcome of superior relationship management and enhanced breadth of service offerings, leading to increased business opportunities. During the last three years, the contribution from our top five customers to the revenue has reduced to 27.7% from 43.77%, and contribution from top 10 customers has reduced to 41.5% from 55.9%. This was achieved without any noticeable reduction in business from this customer base.

Our ability to identify, nurture and accelerate growth in new business practices has helped create a footprint in these chosen areas, which has resulted in a strong platform for future growth. For instance, new verticals such as Healthcare, Retail and Transportation — in which we have invested in the last three years — have grown 20 times during the period, and now contribute around 11.6% of our revenue. Even within the traditional stronghold verticals we continue to increase our service offerings. Over the last three years we increased the breadth of services provided by our TIMES vertical to accelerate the revenue growth from the equipment manufacturers segment. This expansion of services played a major role in increasing the revenue contribution of this vertical to 17.6% from 9.1% three years back.

On the services front, the increasing portfolio of high value services led to strengthening of our dominance in Enterprise Business Solutions. Our focus on Infrastructure Management Services would enable us capitalise on the increasing demand in this area.

Inorganic growth, as a means to accelerate domain competency and to expand our services as well as customer-reach, is a key objective of our long-term growth plan. I am glad to inform you of the progress made to further this objective. Satyam has acquired Citisoft, a highly specialized consulting firm that focuses exclusively on the investment management industry. Citisoft will be operating as a subsidiary of Satyam and will be a part of Satyam's Banking & Financial Services vertical.

Clearly recognizing that enhanced leadership is essential in competing in the global market place, we have decided to setup the Satyam School of Learning to groom more of our Associates into leaders who can take end-to-end responsibility.

It is reassuring for us to note the enhanced business potential for integrated business solutions in the global market place and are hopeful that the growth momentum experienced in Fiscal 2005 would continue.

Against this background, we look forward to a revenue growth rate of 26% to 28% in Fiscal 2006 on a consolidated basis, including Citisoft, while EPS for the year is expected to be in the range of Rs. 26.84 and Rs. 27.30. Achieving the higher-end of revenue guidance at Rs. 4502 crore would make us the youngest Indian IT Services Company to join the Billion Dollar Club.

The Board has considered a final dividend of 150%. Including the interim dividend of 100%, the total dividend for Fiscal 05 would be 250%.

B. Ramalinga Raju

Q4 Table of Contents

Note: All financial data of Satyam is as per Indian GAAP (Standalone), unless mentioned otherwise.

• Q4 Revenue up 7% sequentially **• FY '05 Revenue up 36%**

Satyam
What Business Demands.

Financial Highlights — Indian GAAP Standalone

Profit and Loss Account Summary for the quarter ended

In Rs. crore, except per share data

	March 2005	March 2004	Growth over March 2004 Quarter (%)	December 2004	Growth over March 2004 Quarter (%)
Income					
Services					
- Exports	927.24	696.62	33.11	861.83	7.59
- Domestic	26.13	24.08	8.51	29.43	(11.21)
Total Services Income	**953.37**	**720.70**	**32.28**	**891.26**	**6.97**
Expenditure					
Personnel Expenses	555.37	398.51	39.36	521.08	6.58
Operating and Administration Expenses	154.69	132.38	16.85	143.98	7.44
	710.06	**530.89**	**33.75**	**665.06**	**6.77**
Operating Profit (EBITDA)	**243.31**	**189.81**	**28.19**	**226.20**	**7.56**
EBITDA Margin	***25.52%***	***26.34%***		***25.38%***	
Financial Expenses	0.20	0.18	11.11	0.20	—
Depreciation	26.93	25.41	5.98	25.22	6.78
Operating Profit after Interest and Depreciation	**216.18**	**164.22**	**31.64**	**200.78**	**7.67**
Other Income	25.28	5.00	405.60	2.59	876.06
Profit Before Tax	**241.46**	**169.22**	**42.69**	**203.37**	**18.73**
Provision for Taxation	28.25	28.39	(0.49)	28.59	(1.19)
Profit After Taxation (PAT)	**213.21**	**140.83**	**51.40**	**174.78**	**21.99**
Earnings Per Share — (Rs. per equity share of Rs. 2 each)					
Basic	6.68	4.46	49.78	5.49	21.68
Diluted	6.53	4.38	49.09	5.39	21.15

- For Q4, Satyam recorded a total income of Rs. 978.65 crore, an increase of 9.49% over Q3, Fiscal 2005

Q4: Performance Against Guidance

Parameters	Projected	Actuals
Income from Software Services (In Rs. crore)	Rs. 918 — Rs. 922	Rs. 953.37
EPS (In Rs.)	Rs. 5.98 — Rs. 6.08	Rs. 6.68

Indian GAAP Standalone

Profit and Loss Account Summary for the year ended

In Rs. crore, except per share data

	March 2005	March 2004	Growth over March 2004 (%)
Income			
Services			
- Exports	3,362.43	2,472.01	36.02
- Domestic	101.79	69.53	46.40
Total Services Income	**3,464.22**	**2,541.54**	**36.30**
Expenditure			
Personnel Expenses	1,997.59	1,337.91	49.31
Operating and Administration Expenses	577.49	511.05	13.00
	2,575.08	**1,848.96**	**39.27**
Operating Profit (EBITDA)	**889.14**	**692.58**	**28.38**
EBITDA Margin	***25.67%***	***27.25%***	
Financial Expenses	0.76	0.75	1.33
Depreciation	103.94	111.62	(6.88)
Operating Profit after Interest and Depreciation	**784.44**	**580.21**	**35.20**
Other Income	82.55	81.73	1.00
Profit Before Tax	**866.99**	**661.94**	**30.98**
Provision for Taxation	116.74	106.15	9.98
Profit After Taxation (PAT)	**750.25**	**555.79**	**34.99**
Earnings Per Share — (Rs. per equity share of Rs. 2 each)			
Basic	23.61	17.64	33.85
Diluted	23.12	17.36	33.17
Total Services Income (in US$ million)	772.77	553.11	39.71
Profit After Taxation (in US$ million)	167.36	120.95	38.36

For Fiscal 2005, Satyam recorded a total income of Rs. 3546.77 crore (US$ 791.18 million), an increase of 35.20% over Fiscal 2004.

Indian GAAP Standalone
Balance Sheet as at

In Rs. crore

	March 31		December 31
	2005	2004	2004
Sources of Funds			
Shareholders' Funds			
(a) Share Capital	63.85	63.25	63.77
(b) Share Application Money, Pending Allotment	0.45	0.19	0.44
(c) Reserves and Surplus	3,153.17	2,517.51	3,039.25
	3,217.47	**2,580.95**	**3,103.45**
Loan Funds			
Secured Loans	9.87	7.30	9.89
	3,227.34	**2,588.25**	**3,113.34**
Application of Funds			
Fixed Assets			
(a) Gross Block	937.70	847.16	902.88
(b) Less: Depreciation	685.41	597.76	663.51
(c) Net Block	**252.29**	**249.40**	**239.37**
(d) Capital Work in Progress	64.68	22.17	54.64
	316.97	**271.57**	**294.01**
Investments	78.48	74.75	76.12
Deferred Tax Asset (net)	10.71	5.29	9.80
Current Assets, Loans and Advances			
(a) Sundry Debtors	765.17	592.82	714.11
(b) Cash and Bank Balances	2,363.31	1,815.36	2,178.50
(c) Loans and Advances	119.89	90.58	99.28
(d) Other Current Assets	24.46	91.46	75.99
	3,272.83	**2,590.22**	**3,067.88**
Less: Current Liabilities and Provisions			
(a) Current Liabilities	262.87	194.53	255.51
(b) Provisions	188.77	159.05	78.96
	451.64	**353.58**	**334.47**
Net Current Assets	**2,821.18**	**2,236.64**	**2,733.41**
	3,227.34	**2,588.25**	**3,113.34**

Financial Highlights — Indian GAAP Consolidated

Consolidated Profit and Loss Account Summary for the quarter ended

In Rs. crore, except per share data

	March 2005	March 2004	Growth over March 2004 Quarter (%)	December 2004	Growth over December 2004 Quarter (%)
Income					
Services					
- Exports	937.57	697.80	34.36	871.24	7.61
- Domestic	33.94	25.66	32.27	36.15	(6.11)
Total Services Income	**971.51**	**723.46**	**34.29**	**907.39**	**7.07**
Expenditure					
Personnel Expenses	564.01	398.11	41.67	526.88	7.05
Cost of Software and Hardware sold	0.27	0.14	92.86	0.28	(3.57)
Operating and Administration Expenses	168.96	139.13	21.44	157.20	7.48
	733.24	**537.38**	**36.45**	**684.36**	**7.14**
Operating Profit (EBITDA)	**238.27**	**186.08**	**28.05**	**223.03**	**6.83**
EBITDA Margin	***24.53%***	***25.72%***		***24.58%***	
Financial Expenses	0.24	0.20	20.00	0.25	(4.00)
Depreciation	30.00	26.46	13.38	28.23	6.27
Miscellaneous Expenditure Written Off	(0.15)	0.86	(117.44)	0.04	(475.00)
Operating Profit after Interest, Depreciation and Miscellaneous Expenses	**208.18**	**158.56**	**31.29**	**194.51**	**7.03**
Other Income	29.78	4.29	594.17	2.20	1,253.64
Profit Before Tax	**237.96**	**162.85**	**46.12**	**196.71**	**20.97**
Provision for Taxation	28.25	28.30	(0.18)	28.89	(2.22)
Profit After Taxation Before Share of loss in Associate Company	**209.71**	**134.55**	**55.86**	**167.82**	**24.96**
Share of loss in Associate Company	**(3.55)**	**(0.24)**	—	(2.94)	—
Profit After Taxation and Share of loss in Associate Company	**206.16**	**134.31**	**53.50**	**164.88**	**25.04**
Earnings Per Share — (Rs. per equity share of Rs.2 each)					
Basic	6.46	4.26	51.64	5.18	24.71
Diluted	6.32	4.20	50.48	5.09	24.17

Indian GAAP Consolidated

Consolidated Profit and Loss Account Summary for the year ended

In Rs. crore, except per share data

	March 2005	March 2004	Growth over March 2004 (%)
Income			
Services			
- Exports	3,386.95	2,488.36	36.11
- Domestic	133.89	72.14	85.60
Total Services Income	**3,520.84**	**2,560.50**	**37.51**
Expenditure			
Personnel Expenses	2,026.11	1,345.51	50.58
Cost of Software and Hardware sold	0.99	0.82	20.73
Operating and Administration Expenses	625.55	536.90	16.51
	2,652.65	**1,883.23**	**40.86**
Operating Profit (EBITDA)	**868.19**	**677.27**	**28.19**
EBITDA Margin	***24.66%***	***26.45%***	
Financial Expenses	0.91	1.02	(10.78)
Depreciation	113.30	115.02	(1.50)
Miscellaneous Expenditure Written Off	2.16	3.73	(42.09)
Operating Profit after Interest, Depreciation and Miscellaneous Expenses	**751.82**	**557.50**	**34.86**
Other Income	86.83	75.07	15.67
Profit Before Tax	**838.65**	**632.57**	**32.58**
Provision for Taxation	117.56	106.26	10.63
Profit After Taxation Before Share of loss in Associate Company	**721.09**	**526.31**	**37.01**
Share of loss in Associate Company	(9.45)	(12.92)	—
Profit After Taxation and Share of loss in Associate Company	**711.64**	**513.39**	**38.62**
Earnings Per Share — (Rs. per equity share of Rs. 2 each)			
Basic	22.40	16.29	37.45
Diluted	21.93	16.04	36.78
Total Services Income (in US$ million)	785.39	557.24	40.94
Profit After Taxation (in US$ million)	158.75	111.73	42.09

Indian GAAP Consolidated

Balance Sheet as at

	March 31		December 31
	2005	2004	2004
Sources of Funds			
Shareholders' Funds			
(a) Share Capital	154.86	108.92	154.78
(b) Share Application Money, Pending Allotment	0.45	0.19	0.44
(c) Reserves and Surplus	3,142.81	2,544.58	3,035.93
	3,298.12	**2,653.69**	**3,191.15**
Loan Funds			
Secured Loans	18.92	8.20	11.25
	3,317.04	**2,661.89**	**3,202.40**
Application of Funds			
Fixed Assets			
(a) Gross Block	1,014.22	876.12	974.15
(b) Less: Depreciation	705.65	600.37	680.69
(c) Net Block	**308.57**	**275.75**	**293.47**
(d) Capital Work in Progress	69.29	31.50	63.09
	377.86	**307.25**	**356.56**
Investments	76.31	96.47	79.85
Deferred Tax Asset (net)	10.71	5.29	9.80
Current Assets, Loans and Advances			
(a) Inventories	0.19	0.49	0.25
(b) Sundry Debtors	708.47	599.34	725.71
(c) Cash and Bank Balances	2,370.13	1,824.58	2,188.22
(d) Loans and Advances	114.75	77.64	89.25
(e) Other Current Assets	24.47	91.47	76.00
	3,290.01	**2,593.52**	**3,079.43**
Less: Current Liabilities and Provisions			
(a) Current Liabilities	248.29	181.35	243.49
(b) Provisions	189.56	159.30	79.75
	437.85	**340.65**	**323.24**
Net Current Assets	**2,852.16**	**2,252.88**	**2,756.19**
	3,317.04	**2,661.89**	**3,202.40**

Financial Highlights — US GAAP

Unaudited Consolidated Statements of Operations Summary for the quarter ended

In US$ thousands, except per share data and as stated otherwise

	March 2005	March 2004	Growth over March 2004 Quarter (%)	December 2004	Growth over December 2004 Quarter %
Revenues	**$ 225,002**	**$ 164,979**	**36.38**	**$ 204,679**	**9.93**
Gross Profit	76,350	67,557	13.02	70,096	8.92
Operating Income	45,960	34,901	31.69	40,662	13.03
Income / (Loss) Before Income Taxes, Minority Interest and Equity in Earnings / (Losses) of Associated Companies	52,509	35,134	49.45	40,818	28.64
Income Taxes	(6,264)	(5,777)	8.43	(6,155)	1.77
Income Before Equity in Earnings / (Losses) of Associated Companies	46,245	29,357	57.53	34,663	33.41
Equity in Earnings / (Losses) of Associated Companies, net of taxes	(475)	351	—	(380)	—
Net Income	**$ 45,770**	**$ 29,708**	**54.07**	**$ 34,283**	**33.51**
Earnings Per Share:					
Basic	$ 0.14	$ 0.09	55.56	$ 0.11	27.27
Diluted	$ 0.14	$ 0.09	55.56	$ 0.11	27.27

Audited Consolidated Statements of Operations Summary for the year ended

In US$ thousands, except per share data and as stated otherwise

	March 2005	March 2004	Growth over March 2004 %
Revenues	**$ 793,597**	**$ 566,372**	**40.12**
Gross Profit	286,821	222,776	28.75
Operating Income	162,496	121,149	34.13
Income / (Loss) Before Income Taxes, Minority Interest and equity in Earnings / (Losses) of Associated Companies	180,158	137,035	31.47
Income Taxes	(25,304)	(22,544)	12.24
Income Before Equity in Earnings / (Losses) of Associated Companies	154,854	114,491	35.25
Equity in Earnings / (Losses) of Associated Companies, net of taxes	(1,094)	(2,631)	—
Net Income	**$ 153,760**	**$ 111,860**	**37.46**
Earnings Per Share:			
Basic	$ 0.49	$ 0.36	36.11
Diluted	$ 0.48	$ 0.35	37.14

Reconciliation Between Net Profit As Per Indian GAAP Standalone and US GAAP

In US$ thousands

	Quarter ended March 2005	Quarter ended March 2004	Quarter ended December 2004
Profit as per Indian GAAP Financial Statements	**$ 48,905**	**$ 31,137**	**$ 38,951**
Add / (Deduct)			
1 Profit / (Loss) of Subsidiaries and Associated Companies	(2,530)	(548)	(3,504)
2 Deferred Stock Compensation Charge	(425)	(557)	(905)
3 Others, net	(180)	(324)	(259)
Net Income as per US GAAP Financial Statements	**$ 45,770**	**$ 29,708**	**$ 34,283**

Reconciliation Between Net Profit As Per Indian GAAP Standalone and US GAAP

In US$ thousands

	Year ended March 2005	Year ended March 2004
Profit as per Indian GAAP Financial Statements	**$ 167,443**	**$ 121,079**
Add / (Deduct)		
1 Profit / (Loss) of Subsidiaries and Associated Companies	(10,355)	(7,326)
2 Deferred Stock Compensation Charge	(1,995)	(1,598)
3 Sales of Shares in Sify — Difference in GAAP	—	(1,216)
4 Others, net	(1,333)	921
Net Income as per US GAAP Financial Statements	**$ 153,760**	**$ 111,860**

Q4 Highlights

Satyam added 28 new customers in Q4, including Five Fortune Global and US 500 corporations.

Some of the prominent Fortune 500 customers added in Q4 include — world's leading providers of Wireline and Wireless Communications, SE Asian Conglomerate and Global Publishing and Media Services company.

In Q4, Satyam has established a development center in Detroit to consolidate its leadership position in the Automotive / Manufacturing Domain. This will enhance Satyam's ability to serve Detroit-based automotive majors, and have a strong footprint in the US automotive sector.

Subsidiaries, Joint Ventures and Associate Companies

Subsidiaries

Satyam's BPO subsidiary, Nipuna Services Limited, recorded a revenue of Rs. 14.17 crore (US$ 3.24 million) and a net loss of Rs. 10.73 crore (US$ 2.45 million) for the quarter ended March 31, 2005.

Satyam Manufacturing Technologies Inc. (SMTI), a 100% subsidiary of Satyam, recorded net revenue of US$ 0.39 million and a net profit of US$ 0.03 million for the quarter ended March 31, 2005.

Satyam Computer Services (Shanghai) Company Limited, Satyam's 100% subsidiary in China, recorded net revenue of 6.79 million CNY (US$ 0.82 million) and a net loss of 1.94 million CNY (US$ 0.24 million) for the quarter ended March 31, 2005.

Joint Ventures

CA Satyam ASP Pvt. Ltd., a joint venture between Satyam and Computer Associates, recorded revenue of Rs. 1.14 crore (US$ 0.26 million) and a net loss of Rs. 0.24 crore (US$ 0.05 million) for the quarter ended March 31, 2005.

Satyam Venture Engineering Services, a joint venture between Satyam and Venture Corporation, US earned a revenue of Rs. 14.42 crore (US$ 3.30 million) and a net profit of Rs. 1.66 crore (US$ 0.38 million) for the quarter ended March 31, 2005.

Associate Company

Sify Ltd.'s (Sify) revenue for Q4 at US$ 23.6 million was 24.9% higher than the same quarter last year and 8.8% sequentially. Sify recorded a net loss of US$ 2.56 million, while cash profit (in adjusted EBIDTA terms) was US$ 0.59 million compared to US$ 2.73 million for the same quarter last year. Sify ended the quarter and the year with a cash balance of US$ 31 million.

(For detailed results on Sify, visit **www.sifycorp.com**)

Business Outlook*

* Outlook is based on exchange rate of Rs. 43.80 / US$

From FY 2006 onwards, the Company has decided to give Indian GAAP Consolidated guidance in Indian Rupees as against Indian GAAP Standalone guidance provided earlier. In addition, the Company will also continue to provide guidance under US GAAP for consolidated numbers in US$. The Indian GAAP Consolidated guidance and the US GAAP guidance will be including the financial performance of all the subsidiaries, but will be excluding earnings or losses of associate companies.

INDIAN GAAP (Consolidated)

The Company's outlook under Indian GAAP Consolidated for the quarter ending June 30, 2005, is as follows:

Income from services is expected to be between Rs. 1,021 crore and Rs. 1,026 crore, implying a growth rate of 5.1% to 5.6% over Q4 2005 income of Rs. 971.5 crore. EPS for the quarter is expected to be between Rs. 5.82 and Rs. 5.85 against Rs. 6.46 for Q4 2005.

The Company's outlook under Indian GAAP Consolidated for the fiscal year ending March 31, 2006, is as follows:

For fiscal 2006, income from services is expected to be between Rs. 4,435 crore and Rs. 4,502 crore, implying a growth rate of 26% to 28% over fiscal 2005 income of Rs. 3,521 crore. EPS for the fiscal is expected to be between Rs. 26.84 and Rs. 27.30, implying a growth rate of 20% to 22% over fiscal 2005 EPS of Rs. 22.40.

US GAAP (Consolidated, including the performance of subsidiaries, but excluding earnings or losses of associated companies)

The Company's outlook for the quarter ending June 30, 2005, is as follows:

Consolidated revenue is expected to be between US$ 235 million to US$ 236 million and consolidated earning per ADS is expected to be US$ 0.27.

The Company's outlook for the fiscal year ending March 31, 2006, is as follows:

For fiscal 2005, consolidated revenue is expected to be between US$ 1,019 million and US$ 1,034 million, implying a growth rate of 28% to 30% over fiscal 2005. Consolidated earnings per ADS for the fiscal is expected to be between US$ 1.22 and US$ 1.25, implying a growth rate of 26% to 28% over fiscal 2005.

Nipuna Services Limited
(BPO Subsidiary)

Nipuna added 11 customers during fiscal 2005, in the Telecom, Media, Pharma, Manufacturing, Automotive and Financial Services verticals. The company is servicing 21 customers and is handling 50 processes. It now has a presence in Engineering, Healthcare, Insurance, IT Helpdesk, Finance and Accounts, Customer Contact and Data Management areas.

Nipuna services 11 Fortune Global 500 companies, six of which are Fortune 100 companies.

New businesses contributed to 46% of the total revenue, while existing businesses made up the remaining 54% of revenue. Revenues from existing customers grew by 111% during fiscal 2005.

During the year, Nipuna started delivery from two new facilities, a 660-seat facility in Hyderabad and a 350-seat facility in Bangalore. Nipuna now has infrastructure to accommodate approximately 2,200 employees.

Nipuna had 1367 employees as of March 31, 2005. The company is ramping up to meet the requirement of additional business from existing and new customers.

Nipuna reported revenue of US$ 10 million in Fiscal 2005. On the back of improved business environment and increased customer traction, revenue is expected to be US$ 18 million for the year ending March 31, 2006.

Satyam's Acquisition of Citisoft

Satyam Computer Services Limited (SCSL) acquired Citisoft, a highly specialized business and systems consulting firm, focused exclusively on the Investment Management industry. Citisoft has a multinational presence with offices in London, Boston and New York and has built an enviable reputation as the leading specialist investment management consulting firm with one of the largest concentration of business consulting expertise. This strategic acquisition firmly positions Satyam as a significant global player in business and technology consulting services area for the Investment Management industry.

Citisoft has an impressive client base with over 75% of the top 50 global Investment Management companies. It has an employee base of 63 with an average industry experience of 15 years.

The consideration for the acquisition consists of a guaranteed payment of US$ 23.2 million and an additional performance based payment of up to US$ 15.5 million, both paid over a three-year period.

The acquisition comes against the backdrop of increasing IT spend in the Securities Industry, estimated at US$ 71 billion in 2004 — 10% of which can be attributed to the Investment Management segment of the industry, which by itself, is a US$ 35 trillion market.

Operational parameters for Q4, Fiscal 2005

A. Revenue Analysis

Analysis of revenue growth (%)

Particulars	Q4 2005	Q3 2005	Q4 2004	FY 2005	FY 2004
Increase / (Decrease) in revenue in US$ terms	8.82	8.86	9.35	39.71	32.32
Increase / (Decrease) in revenue due to change in:					
- Volume (Hours billed)	8.70	8.76	9.41	39.62	34.23
- Billing rate	0.12	0.10	(0.06)	0.09	(1.91)
- US$ exchange rate	(1.85)	(3.77)	(0.60)	(3.41)	(6.73)
Increase / (Decrease) in revenue, in Rupee terms	6.97	5.09	8.75	36.30	25.59

Breakup of export revenue between offshore and onsite (%)

Location	Q4 2005	Q3 2005	Q4 2004	FY 2005	FY 2004
Offshore	43.45	42.43	41.40	42.46	42.70
Onsite	56.55	57.57	58.60	57.54	57.30
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Revenue by region (%)

Region	Q4 2005	Q3 2005	Q4 2004	FY 2005	FY 2004
North America	67.78	67.58	69.15	68.80	73.34
Japan	2.42	1.10	1.78	1.76	1.97
Europe	16.90	17.82	15.00	16.56	13.71
Rest of World	12.90	13.50	14.07	12.88	10.98
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Revenue by service offerings (%)

Technology	Q4 2005	Q3 2005	FY 2005	FY 2004
Software Development and Maintenance	53.17	53.55	54.20	59.40
Consulting and Enterprise Business Solutions	35.69	35.30	34.86	32.44
Extended Engineering Solutions	7.13	7.06	6.81	3.63
Infrastructure Management Services	4.01	4.09	4.13	4.53
Total	**100.00**	**100.00**	**100.00**	**100.00**

Operational parameters for Q4, Fiscal 2005 (contd.)

Revenue by line of business (%)

Line of Business	Q4 2005	Q3 2005	Q4 2004	FY 2005	FY 2004
Banking & Finance	18.59	18.13	17.46	18.04	18.45
Insurance	10.11	12.09	13.17	11.52	13.90
Manufacturing	29.20	27.91	30.40	28.85	31.44
TIMES (Telecom, Infrastructure, Media, Entertainment, Semiconductor)	18.26	16.85	15.38	17.56	13.67
Healthcare	5.84	6.37	4.38	6.10	6.12
Retail	2.78	2.91	2.43	2.80	1.87
Transportation	3.09	2.39	2.20	2.69	2.05
Others	12.13	13.36	14.58	12.44	12.50
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Revenue by contract type (%)

Contract	Q4 2005	Q3 2005	Q4 2004	FY 2005	FY 2004
Time & Material	63.51	64.62	67.23	65.60	68.42
Fixed Bid	36.49	35.38	32.77	34.40	31.58
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Changes in billing rates (%)

	For the Quarter		
Particulars	Sequenti	Year on Year	FY 2005
Onsite	0.12	0.22	0.05
Offshore	0.09	0.13	0.00
Domestic	0.54	1.63	1.91

B. Associate Data

Location-wise breakup of Associates

Particulars	Q4 2005	Q3 2005	Q4 2004
Onsite	4,546	4,163	3,382
Offshore	12,734	11,573	9,093
Domestic	579	760	645
Total Technical	**17,859**	**16,496**	**13,120**
Support	1,305	1,169	912
Total	**19,164**	**17,665**	**14,032**

Attrition(%)

Particulars	Q4 2005	Q3 2005	Q4 2004
Attrition rate (TTM)	16.50	17.71	17.46

Utilization / loading rates (%)

Particulars	Q4 2005	Q3 2005	Q4 2004	FY 2005	FY 2004
Onsite	97.61	96.09	95.20	96.23	95.79
Offshore	75.93	76.71	79.66	75.92	78.84

Domestic	75.99	87.28	95.42	81.62	90.56
Offshore with trainees	73.66	70.63	74.02	70.53	74.67

Operational parameters for Q4, Fiscal 2005 (contd.)

C. Customer Information

Revenue contribution (%)

Revenues from	Q4 2005	Q3 2005	Q4 2004	FY 2005	FY 2004
Top customer	9.49	11.20	13.11	10.96	14.42
Top 5 customers	27.70	30.41	34.05	29.65	36.29
Top 10 customers	41.46	43.64	45.48	42.93	48.38

Number of customers with annualized billing exceeding:

Revenues from	Q4 2005	Q3 2005	Q4 2004
US$ 1 million	130	118	89
US$ 5 million	35	30	28
US$ 10 million	21	19	14

Revenue from existing business and new business (%)

	Q4 2005	Q3 2005	Q4 2004
Existing business	91.52	91.60	90.27
New business	8.48	8.40	9.73
Total	**100.00**	**100.00**	**100.00**

D. Other Information

Particulars	Q4 2005	Q3 2005	Q4 2004
New customers added	28	28	30
Number of active customers	390	372	325
Receivable days	72	72	74

About Satyam Computer Services Limited

Satyam Computer Services Ltd. (NYSE: SAY) is a global IT consulting and services provider, offering a range of expertise aimed at helping customers re-engineer and re-invent their businesses to compete successfully in an ever-changing marketplace. Over 19,100 highly-skilled professionals in Satyam work Onsite, Offsite, Offshore and Nearshore, to provide customized IT solutions for companies in several industry sectors.

Satyam's ideas and products have resulted in technology-intensive transformations that have met the most stringent of international quality standards. Satyam Development Centers in India, the USA, the UK, the UAE, Canada, Hungary, Malaysia, Singapore, China, Japan and Australia serve 390 global companies, of which 144 are Fortune Global 500 and Fortune US 500 corporations. Satyam's presence spans 46 countries, across six continents.

For more information visit: **www.satyam.com**

Safe Harbor

This quarterly investor news update contains forward-looking statements within the meaning of Section 27-A of Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained in the release include, but are not limited to, comments regarding the prospects for further growth in the Company's business and trends in the IT services market. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements — Satyam Computer Services Limited (Satyam) undertakes no duty to update any forward-looking statements.

For a discussion of the risks associated with Satyam's business, please see the discussion under the caption "Risk Factors" in our report on Form 6k concerning the fiscal quarter ended December 31, 2004 furnished to the United States Securities Exchange Commission on February 14, 2005 and the other reports in files with the SEC from time to time. These filings are available at **www.sec.gov.**

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Exhibit 99.5

Satyam Computer Services Limited

Description of Business

The Company is an information technology ("IT") services provider that uses a global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. The Company was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. The Company has offshore development centers located throughout India that enable it to provide high quality and cost-effective solutions to clients. It also has offsite centers located in the United States, United Kingdom, Germany, Singapore, Malaysia, Australia, Japan, and Dubai. The range of services offered by it, either on a "time and material" basis or "fixed price", includes consulting, systems design, software development, system integration and application maintenance. The Company offers a comprehensive range of IT services, including software development, packaged software integration, system maintenance and engineering design services. The Company has established a diversified base of corporate customers in a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Statement on Significant Accounting Policies

a) Basis of Presentation

The financial statements of the Company are prepared under historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Indian Companies Act, 1956.

b) Use of Estimates

The preparation of the financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported year. Actual results could differ from those estimates.

c) Revenue Recognition

Revenue from professional services consist primarily of revenue earned from services performed on a "time and material" basis. The related revenue is recognized as and when the services are performed.

The Company also performs time bound fixed-price engagements, under which revenue is recognized using the percentage of completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

d) Fixed Assets

Fixed assets are stated at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

Gain/Loss arising on foreign exchange liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed assets.

Depreciation on fixed assets is computed on the straight line method over their estimated useful lives at the rates which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs.5,000 are entirely depreciated in the year of acquisition.

The cost of and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Costs of application software for internal use are generally charged to revenue as incurred due to its estimated useful lives being relatively short, usually less than one year.

The estimated useful lives are as follows:

	Estimated useful lives
Buildings	28 years
Computers	2 years
Plant and Machinery (Other than Computers)	5 years
Software — used in Development for Projects	3 years
Office Equipment	5 years
Furniture, Fixtures and Interiors	5 years
Vehicles	5 years
Leasehold improvements	Shorter of lease period or estimated useful lives

Capital work in progress

Assets under installation or under construction as at the Balance sheet date are shown as Capital work in progress. Advances paid towards acquisition of assets are also included under Capital work in progress.

e) Goodwill

Goodwill represents the difference between the purchase price and the book value of assets and liabilities acquired. Goodwill is amortized over the useful life of the asset. The goodwill is reviewed for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. If impairment is indicated, the asset is written down to its fair value.

f) Investments

Investments are classified into current investments and long-term investments. Current investments are carried at the lower of cost or fair value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the profit and loss account. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

g) Foreign Currency Translation

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account.

Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

The operations of foreign branches of the company are of integral in nature and the financial statements of these branches are translated using the same principles and procedures of head office.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gain/Loss on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period), is recognized in the profit and loss account for the period.

h) Employee Benefits

Contributions to defined Schemes such as Provident Fund, Employee State Insurance Scheme and Superannuation are charged as incurred on accrual basis. The Company also provides for other retirement benefits in the form of gratuity and leave encashment based on actuarial valuation made by independent actuary as at the balance sheet date.

i) Taxes on Income

Tax expense for the year comprises of current tax and deferred tax. Current taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of change. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

j) Earnings Per Share

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprises the net profit after tax (and includes the post tax effect of any extra ordinary items). The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving Basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). The number of shares and potentially dilutive shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

k) Associate Stock Option Scheme

Stock options granted to the associates under the stock option schemes established after June 19, 1999 are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on straight-line method over the vesting period of the options. The un-amortized portion of the cost is shown under Reserves and Surplus.

l) Research and Development

Revenue expenditure incurred on research and development is charged to revenue in the year/period in which it is incurred. Assets used for research and development activities are included in fixed assets.

Satyam Computer Services Limited
Balance Sheet as at March 31, 2005

Rs. in lakhs

	Schedule Reference	As at 31.03.2005	As at 31.03.2004
I. Sources of Funds:			
1. Shareholders' Funds			
(a) Share Capital	1	6,385.31	6,325.03
(b) Share application money, pending allotment		44.66	18.62
(c) Reserves and Surplus	2	315,317.45	251,751.58
		321,747.42	**258,095.23**
2. Loan Funds			
(a) Secured Loans	3	986.50	729.55
		322,733.92	**258,824.78**
II. Application of Funds :			
1. Fixed Assets	4		
(a) Gross Block		93,769.64	84,715.90
(b) Less: Depreciation		68,541.14	59,775.51
(c) Net Block		**25,228.50**	**24,940.39**
(d) Capital Work in Progress		6,468.14	2,217.18
		31,696.64	**27,157.57**
2. Investments	5	7,848.18	7,475.11
3. Deferred Tax Assets (net)	6	1,070.96	529.31
4. Current Assets, Loans and Advances			
(a) Sundry Debtors	7	76,516.69	59,281.50
(b) Cash and Bank Balances	8	236,330.75	181,535.92
(c) Loans and Advances	9	11,989.06	9,058.47
(d) Other Current Assets			
- Interest Accrued on Fixed Deposits		2,445.89	9,145.95
		327,282.39	**259,021.84**
Less: Current Liabilities and Provisions			
(a) Liabilities	10	26,287.12	19,453.23
(b) Provisions	11	18,877.13	15,905.82
		45,164.25	**35,359.05**
Net Current Assets		**282,118.14**	**223,662.79**
		322,733.92	**258,824.78**
Notes to Accounts	15		

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

for and on behalf of the Board of Directors

S. Gopalakrishnan
Partner
for and on behalf of
Price Waterhouse
Chartered Accountants

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director
& Sr. Vice President — Finance

G. Jayaraman
Vice President (Corp. Affairs)
& Company Secretary

Place : Secunderabad
Date : April 21, 2005

Place : Secunderabad
Date : April 21, 2005

Satyam Computer Services Limited

Profit and Loss Account for the year ended March 31, 2005

	Schedule Reference	Year Ended 31.03.2005	Year Ended 31.03.2004
			Rs. in lakhs
Income			
Services			
- Exports		336,243.08	247,201.18
- Domestic		10,179.42	6,953.34
Other Income	12	8,255.49	8,173.07
		354,677.99	**262,327.59**
Expenditure			
Personnel Expenses	13	199,758.83	133,791.72
Operating and Administration Expenses	14	57,748.88	51,104.94
Financial Expenses		75.73	74.88
Depreciation		10,394.21	11,161.58
		267,977.65	**196,133.12**
Profit Before Taxation		86,700.34	66,194.47
Provision for Taxation - Current		12,216.00	10,800.00
- Deferred		(541.66)	(184.71)
Profit After Taxation		**75,026.00**	**55,579.18**
Add: Balance brought forward from previous year		148,797.36	113,513.92
Profit Available for Appropriation		**223,823.36**	**169,093.10**
Appropriations :			
Interim Dividend @ Rs. 2.00 per Equity Share of Rs. 2 each		6,362.64	3,779.19
(2004 — Rs.1.20 per Equity Share)			
Final Dividend @ Rs. 3.00 per Equity Share of Rs. 2 each		9,600.46	8,892.93
(2004 — Rs.2.80 per Equity Share)			
Tax on distributed profits		2,086.18	1,623.62
Transfer to General Reserve		7,510.00	6,000.00
Balance carried to Balance Sheet		**198,264.08**	**148,797.36**
Earnings Per Share (Rs. per equity share of Rs. 2 each)			
Basic		23.61	17.64
Diluted		23.12	17.36
No. of Shares used in computing Earnings Per Share			
Basic		317,751,639	315,080,584
Diluted		324,445,776	320,133,536
Notes to Accounts	15		

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

for and on behalf of the Board of Directors

S. Gopalakrishnan
Partner
for and on behalf of
Price Waterhouse
Chartered Accountants

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director
& Sr. Vice President — Finance

G. Jayaraman
Vice President (Corp. Affairs)
& Company Secretary

Place : Secunderabad
Date : April 21, 2005

Place : Secunderabad
Date : April 21, 2005

Satyam Computer Services Limited

Schedules forming part of the Balance Sheet

Rs. in lakhs

		As at 31.03.2005	As at 31.03.2004
1.	**Share Capital**		
	Authorised :	**7,500.00**	7,500.00
	3,750,00,000 Equity Shares of Rs. 2 each		
	Issued and Subscribed :	**6,385.31**	6,325.03
	319,265,291 (2004 — 316,251,710) Equity Shares of Rs. 2 each fully paid-up		
	Out of the above:		
	4,000,000 Equity Shares of Rs. 2 each were allotted as fully paid-up Equity Shares for a consideration other than cash pursuant to the Scheme of Amalgamation with Satyam Enterprise Solutions Limited		
	140,595,000 Equity Shares of Rs. 2 each were allotted as fully paid-up by way of Bonus Shares by capitalising free reserves of the Company		
	34,016,154 (2004 — 33,639,972) Equity Shares of Rs. 2 each fully paid-up represent 17,008,077 (2004 — 16,819,986) American Depository Shares		
	4,725,291 (2004 — 1,711,710) Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company pursuant to the Associate Stock Option Plan — B and Associate Stock Option Plan (ADS)		
2.	**Reserves and Surplus**		
	Share Premium Account		
	As at the commencement of the year	82,492.33	78,711.38
	Add: Received on account of issue of ADS / ASOP	6,601.78	3,780.95
		89,094.11	82,492.33
	General Reserve		
	As at the commencement of the year	20,368.85	14,890.92
	Add: Transfer from the Profit and Loss Account	7,510.00	6,000.00
		27,878.85	20,890.92
	Less: Amortization of Goodwill	—	522.07
		27,878.85	20,368.85
	Employee Stock Options		
	Employee Stock Options Outstanding	80.41	93.58
	Less: Deferred Employee Compensation	—	0.54
		80.41	93.04
	Balance in Profit and Loss Account	198,264.08	148,797.36
		315,317.45	**251,751.58**
3.	**Secured Loans**		
	Vehicle Loans	986.50	729.55

Satyam Computer Services Limited

Schedules forming part of the Balance Sheet

4. Fixed Assets

Rs. in lakhs

	DESCRIPTION	GROSS BLOCK As at 01.04.2004	GROSS BLOCK Additions	GROSS BLOCK Deletions / Adjustments	GROSS BLOCK As at 31.03.2005	DEPRECIATION As at 01.04.2004	DEPRECIATION For the year	DEPRECIATION Deletions/ Adjustments	DEPRECIATION As at 31.03.2005	NET BLOCK As at 31.03.2005	NET BLOCK As at 31.03.2004
1.	Land & Land Development										
	-Freehold*	1,813.90	264.02	—	2,077.92	—	—	—	—	2,077.92	1,813.90
	-Leasehold	813.30	—	—	813.30	1.56	0.41	—	1.97	811.33	811.74
2.	Buildings**	5,211.38	713.65	—	5,925.03	859.31	192.80	—	1,052.11	4,872.92	4,352.07
3.	Plant and Machinery	60,165.67	7,722.04	307.12	67,580.59	46,248.60	8,209.40	305.93	54,152.07	13,428.52	13,917.07
	(Including Computers and Software)										
4.	Office Equipment	1,162.97	454.62	3.80	1,613.79	812.32	183.13	3.80	991.65	622.14	350.65
5.	Furniture, Fixtures and Interiors	12,812.68	798.00	194.33	13,416.35	10,305.94	1,363.54	194.33	11,475.15	1,941.20	2,506.74
6.	Vehicles	1,900.67	960.16	518.17	2,342.66	712.45	444.93	289.19	868.19	1,474.47	1,188.22
	Total	**83,880.57**	**10,912.49**	**1,023.42**	**93,769.64**	**58,940.18**	**10,394.21**	**793.25**	**68,541.14**	**25,228.50**	**24,940.39**
	As at 31.03.2004	**77,589.26**	**7,586.77**	**460.13**	**84,715.90**	**48,357.95**	**11,683.65**	**266.09**	**59,775.51**	**24,940.39**	

* Includes Rs. 264.02 lakhs (2004 — Rs.Nil) in respect of which deed of conveyance is pending. Refer Note (d) of Schedule 15

** Includes Rs. 2,128.49 lakhs (2004 — Rs.1,414.84 lakhs) constructed on leasehold land.

Satyam Computer Services Limited

Schedules forming part of the Balance Sheet

				Rs. in lakhs
	As at 31.03.2005		**As at 31.03.2004**	
5. Investments				
Long Term				
i) Trade (Unquoted)				
SIFY Limited		2,203.57		2,203.57
11,182,600 Equity Shares of Rs. 10 each, fully paid-up				
Satyam Venture Engineering Services Private Limited		354.45		354.45
3,544,480 Shares of Rs. 10 each, fully paid-up				
CA Satyam ASP Private Limited		716.90		716.90
7,168,995 Equity Shares of Rs. 10 each, fully paid-up				
Intouch Technologies Limited	1,090.18		1,090.18	
833,333 shares of 20 US cents each, fully paid-up				
Less : Provision for diminution	1,090.18	—	1,090.18	—
Medbiquitious Services Inc.,	157.08		157.08	
334,000 shares of ‘A’ series Preferred Stock of US Dollars 0.001 each, fully paid-up				
Less : Provision for diminution	157.08	—	157.08	—
Avante Global LLC.,	254.36		254.36	
577,917 class ‘A’ units representing a total value of US Dollars 540,750				
Less : Provision for diminution	254.36	—	254.36	—
Jasdic Park Company	75.18		75.18	
480 Shares of J Yen 50,000 each, fully paid-up				
Less : Received on liquidation	26.31		26.31	
Less : Provision for diminution	48.87	—	48.87	—
Investments in subsidiary companies				
Satyam Technologies Inc., #		2,022.09		2,022.09
100,000 common Stock of 1 US Cent each, fully paid-up				
Nipuna Services Limited		1,826.80		1,826.80
18,268,000 Equity Shares of Rs. 10 each, fully paid-up				
Satyam Computer Services (Shanghai) Co. Limited[$$]		724.31		351.24
(Subscribed during the year Rs. 373.07 Lakhs)				
Satyam (Europe) Limited	698.04		698.04	
1,000,000 Equity Shares of 1 GBP each, fully paid-up				
Less: Provision for losses	698.04	—	698.04	—
Satyam Japan KK	41.69		41.69	
200 Common Stock of J Yen 50,000 each, fully paid-up				
Less: Provision for losses	41.69	—	41.69	—
Satyam Asia Pte Limited	102.61		102.61	
400,000 Ordinary Shares of 1 Singapore Dollar each, fully paid-up				
Less: Provision for losses	102.61	—	102.61	—

Dr. Millennium, Inc.,	308.83		308.83	
710,000 Common Stock of 1 US Dollar each , fully paid-up				
Less : Received on account of reduction of Share Capital	298.62		298.62	
Less: Provision for losses	10.21	—	10.21	—
VisionCompass, Inc.	8,993.91		8,993.91	
425,000,000 Common Stock of 1 US Cent each, fully paid-up				
Less : Provision for diminution	8,993.91	—	8,993.91	—
Satyam IdeaEdge Technologies Private Limited	1.00		1.00	
10,000 Equity Shares of Rs. 10 each, fully paid-up				
Less : Provision for diminution	1.00	—	1.00	—
ii) Non Trade (Unquoted)				
National Savings Certificates,VIII Series (Lodged as security with government authorities)		0.06		0.06
		7,848.18		**7,475.11**

The name of Satyam Manufacturing Technologies, Inc. has been changed to Satyam Technologies, Inc. w.e.f. March 17, 2005

$$ Investment is not denominated in number of shares as per laws of the People's Republic of China.

Satyam Computer Services Limited

Schedules forming part of the Balance Sheet

			Rs. in lakhs
		As at 31.03.2005	**As at 31.03.2004**
6.	**Deferred Tax Assets/(Liabilities)**		
	Debtors	1,039.76	782.81
	Advances	76.04	74.55
	Fixed Assets	(1,286.81)	(1,076.15)
	Others	1,241.97	748.10
		1,070.96	**529.31**
7.	**Sundry Debtors (Unsecured)**		
	Considered good*		
	(a) Over six months old	2,472.59	1,710.13
	(b) Other debts	74,044.10	57,571.37
		76,516.69	59,281.50
	Considered doubtful**	9,501.41	7,784.10
		86,018.10	67,065.60
	Less: Provision for doubtful debts **	9,501.41	7,784.10
		76,516.69	**59,281.50**

* Debtors include dues from subsidiaries Rs. 123.88 lakhs (2004 — Rs. 400.79 lakhs) and Unbilled revenue Rs.7,227.54 lakhs (2004 — Rs.1,193.00 lakhs)

** Includes dues from subsidiaries Rs. 1,889.15 lakhs (2004 — Rs. 1,889.15 lakhs)

8.	**Cash and Bank Balances***		
	Cash on hand	8.96	5.20
	Remittances in transit	6,663.69	—
	Balances with Scheduled Banks		
	- On Current Accounts	39,768.26	31,373.84
	- On Deposit Accounts	180,438.49	146,915.95
	Unclaimed Dividend Accounts	458.28	359.11
	Balances with Non-Scheduled Banks**		
	- On Current Accounts	8,993.07	2,881.82
		236,330.75	**181,535.92**

* Includes unutilised amount of ADS issue proceeds — Rs. 39,214.12 lakhs (2004 - Rs. 39,214.12 lakhs)

** Refer note (f) of Schedule 15

9.	**Loans and Advances**		
	(Considered good unless otherwise stated)		
	Secured - Loans	22.09	30.30
	Unsecured - Advances recoverable in cash or in kind or for value to be received*	8,330.53	6,317.88
	- Deposits	3,636.44	2,710.29
	Considered doubtful - Advances **	6,254.25	6,186.50
		18,243.31	**15,244.97**
	Less: Provision for doubtful Advances **	6,254.25	6,186.50
		11,989.06	**9,058.47**

* Includes advances and share application money to subsidiaries Rs. 1,017.30 lakhs (2004 — Rs. 67.10 lakhs)

** Includes due from subsidiaries Rs. 4,812.34 lakhs (2004 — Rs. 4,812.34 lakhs)

10.	**Liabilities**		
	Sundry Creditors		
	- Dues to small scale industrial undertakings	—	—
	- Dues to other than small scale industrial undertakings	18,787.61	15,080.85
	Advances from Customers	101.37	80.80
	Unearned Revenue	2,461.09	814.76

	Investor Education Protection Fund — Unclaimed Dividends	458.28	359.11
	Other Liabilities	4,478.77	3,117.71
		26,287.12	**19,453.23**

11.	**Provisions**		
	Provision for Taxation (less payments)	4,627.95	3,741.11
	Proposed Dividend (including tax thereon)	10,855.12	10,032.34
	Provision for Post Project Execution Warranty	—	47.08
	Provision for Gratuity and Leave Encashment	3,394.06	2,085.29
		18,877.13	**15,905.82**

Satyam Computer Services Limited
Schedules forming part of the Profit and Loss Account

Rs. in lakhs

		Year Ended 31.03.2005	Year Ended 31.03.2004
12.	**Other Income**		
	Interest on deposits — Gross	10,005.10	9,306.75
	{Tax Deducted at Source Rs. 2,090.28 lakhs } (2004 - Rs. 1,903.02 lakhs) Profit on sale of current investments — Trade	—	3.27
	Gain / (Loss) on exchange fluctuations (net)	(1,973.89)	(3,166.91)
	Profit on sale of long term investments	—	1,758.77
	Provision no longer required written back	47.08	190.11
	Miscellaneous income	177.20	81.08
		8,255.49	**8,173.07**
13.	**Personnel Expenses**		
	Salaries and bonus	185,247.91	125,403.20
	Contribution to provident and other funds	13,450.38	7,662.30
	Staff welfare expenses	1,072.92	713.68
	Employee stock compensation expense	(12.38)	12.54
		199,758.83	**133,791.72**
14.	**Operating and Administration Expenses**		
	Rent	5,025.37	3,958.39
	Rates and taxes	959.55	363.90
	Insurance	1,140.78	1,526.05
	Travelling and conveyance	17,396.09	15,617.89
	Communication	4,844.54	4,190.10
	Printing and stationery	481.99	375.64
	Power and fuel	1,867.79	1,343.10
	Advertising	449.58	425.75
	Marketing expenses	5,383.89	4,750.13
	Repairs and maintenance		
	- Buildings	89.12	124.77
	- Machinery	979.65	592.13
	- Others	1,146.48	1,153.46
	Security services	211.96	155.91
	Legal and professional charges	7,223.42	6,730.19
	Provision for doubtful debts and advances	1,785.06	1,670.52
	Loss on sale of Fixed Assets (net)	111.90	122.08
	Directors' sitting fees	4.30	1.75
	Auditors' remuneration	65.37	65.28
	Donations and contributions	157.27	19.98
	Subscriptions	264.35	312.87
	Training and development	1,039.72	751.75
	Research and development	288.09	291.00
	Software charges	3,169.94	2,131.33
	Managerial remuneration		
	- Salaries	34.80	34.80
	- Commission	82.80	46.80
	- Contribution to P.F.	4.18	4.18
	- Others	16.59	19.28
	Visa charges	1,706.33	1,974.58
	Miscellaneous expenses	1,817.97	2,351.33
		57,748.88	**51,104.94**

Satyam Computer Services Limited

Cash Flow Statement for the year ended March 31, 2005

		Year Ended 31.03.2005	Year Ended 31.03.2004
			Rs. in lakhs
A.	**Cash Flows from Operating Activities**		
	Net Profit before Interest and Tax	76,711.51	56,781.76
	Depreciation	10,394.21	11,161.58
	Loss on sale of Fixed Assets	111.90	122.08
	Profit on sale of Long term Investments	—	(1,758.77)
	(Increase)/Decrease in Sundry Debtors	(17,235.19)	(11,293.09)
	(Increase)/Decrease in Loans and Advances	(2,930.59)	(343.12)
	Increase/(Decrease) in Current Liabilities and Other Provisions	8,142.67	1,689.17
	Income Taxes Paid	(11,329.16)	(14,704.53)
	Exchange differences on translation of foreign currency cash and cash equivalents	530.91	1,811.80
	Net Cash Flow from Operating Activities	**64,396.26**	**43,466.88**
B.	**Cash Flows from Investing Activities**		
	Purchase of Fixed Assets	(15,163.46)	(7,105.57)
	Purchase of Long term Investments	(373.07)	(99.08)
	Purchase of Current Investments	—	(100.00)
	Proceeds from liquidation/sale of Long term Investment	—	1,982.14
	Proceeds from sale of Current Investments	—	103.27
	Proceeds from sale of Fixed Assets	118.29	71.96
	Proceeds from Long Term matured Deposits	144,145.52	—
	Investment in Long Term Deposits	(179,550.00)	(20,891.25)
	Interest accrued / income received	16,705.16	1,996.22
	Interest on ADS Deposits	—	14.10
	Net Cash Flow from Investing Activities	**(34,117.56)**	**(24,028.21)**
C.	**Cash Flows from Financing Activities**		
	Proceeds from issue of share capital	6,643.18	3,815.09
	Receipt of Share Application money pending allotment	44.66	18.62
	Proceeds from Secured Loans	866.11	586.03
	Repayment of Secured Loans	(609.16)	(503.65)
	Repayment of Unsecured Loan	—	(1,188.50)
	Financial expenses paid	(75.73)	(74.88)
	Payment of Dividend	(17,226.50)	(12,069.96)
	Net Cash Flow from Financing Activities	**(10,357.44)**	**(9,417.25)**
D.	**Exchange differences on translation of foreign currency cash and cash equivalents**	**(530.91)**	**(1,811.80)**
	Net Increase in Cash and Cash equivalents during the year	19,390.35	8,209.62
	Cash and Cash equivalents at the beginning of the year	37,390.40	29,180.78
	Cash and Cash equivalents at the end of the year	**56,780.75**	**37,390.40**
	Supplementary Information		
	Cash and Bank Balances	236,330.75	181,535.92
	Less: Long Term Deposits with Scheduled Banks considered as investment	179,550.00	144,145.52
	Balance considered for Cash Flow Statement	**56,780.75**	**37,390.40**

This is the Cash Flow Statement referred to in our report of even date.

for and on behalf of the Board of Directors

S. Gopalakrishnan
Partner
for and on behalf of
Price Waterhouse
Chartered Accountants

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

	V. Srinivas Director & Sr. Vice President — Finance	**G. Jayaraman** Vice President (Corp. Affairs) & Company Secretary
Place : Secunderabad Date : April 21, 2005		Place : Secunderabad Date : April 21, 2005

Satyam Computer Services Limited

15. Notes to Accounts

a) Associate Stock Option Plans

i. Scheme established prior to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, (SEBI Guidelines on Stock Options).

In May 1998, the Company established its Associate Stock Option Plan (the "ASOP"). The Company subsequently established an employee welfare trust called the Satyam Associates Trust (the "Trust"), to administer the ASOP and issued warrants to purchase 6,500,000 equity shares of Rs. 2 each in the Company. In turn, the Trust periodically grants to eligible employees warrants to purchase equity shares held by trust for the issuance to the employees. The warrants may vest immediately or may vest over a period ranging from two to three years, depending on the employee's length of service and performance. Upon vesting, employees have 30 days to exercise warrants. The exercise price of the warrants was fixed at Rs. 450 per warrant.

At the 12th Annual General Meeting held on May 28, 1999, shareholders approved a 1:1 Bonus issue to all shareholders as of August 31, 1999. In order to ensure all its employees receive the benefits of the bonus issue in December 1999, the Trust exercised all its warrants to purchase the Company's shares prior to the bonus issue using the proceeds obtained from bank loans. Subsequent to this, each warrant entitles the holder to purchase 10 shares of Rs. 2 each of the Company at a price of Rs. 450 per warrant plus an interest component associated with the loan which the Trust assumed, for conversion of the warrants it held. The interest component is computed based on fixed vesting period and a fixed interest rate. As this scheme is established prior to the SEBI guidelines on the stock options, there is no cost relating to the grant of options under this scheme.

ii. Scheme established after SEBI Guidelines on Stock Options

Securities Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999, which is applicable for all Stock Option Schemes established after June 19, 1999.

The Company has established a scheme "Associate Stock Option Plan — B" (ASOP — B) for which 41,727,140 equity shares of Rs. 2 each were earmarked. Upon vesting, associates have 5 years to exercise these shares.

Accordingly, options (net of cancellations) for a total number of 26,830,315 equity shares of Rs. 2 each were outstanding as at March 31, 2005 (2004 — 17,510,481).

Change in number of options outstanding were as follows:

	Year ended March 31,	
Options	**2005**	**2004**
At the beginning of the year	17,510,481	14,464,148
Granted	14,205,757	5,110,799
Exercised	(2,637,399)	(1,418,938)
Cancelled	(2,248,524)	(645,528)
At the end of the year	26,830,315	17,510,481

iii. Associate Stock Option Plan (ADS)

The Company has established a scheme "Associate Stock Option Plan (ADS)" to be administered by the Administrator of the ASOP (ADS), a committee appointed by the Board of Directors of the Company. Under the scheme 2,574,665 ADS are reserved to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the day of grant as decided by the Administrator of the ASOP (ADS). Each ADS represents two equity shares of Rs. 2 each fully paid up. These warrants vest over a period of 1-10 years from the date of the grant. The time available to exercise the warrants upon vesting is as decided by the Administrator of the ASOP (ADS).

Accordingly, options (net of cancellation) for a total number of 1,257,901 ADS (2004 — 1,181,432) representing 2,515,802 equity shares of Rs. 2 each were outstanding as at March 31, 2005 (2004 — 2,362,864).

Changes in number of options outstanding were as follows:

Options	Year ended March 31, 2005	2004
At the beginning of the year	1,181,432	1,263,275
Granted	366,724	127,343
Exercised	(188,091)	(144,986)
Cancelled	(102,164)	(64,200)
At the end of the year	1,257,901	1,181,432

Pro forma disclosure:

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black Scholes' model, the pro forma amounts of the Company's net profit and earnings per share would have been as follows:

	Particulars	Year ended March 31, 2005	2004
1.	**Profit after Taxation**		
	- As reported (Rs. in lakhs)	75,026.00	55,579.18
	- Pro forma (Rs. in lakhs)	65,783.63	44,494.64
2.	**Earnings per share:**		
	Basic		
	- No. of shares	317,751,639	315,080,584
	- EPS as reported	Rs. 23.61	Rs. 17.64
	- Pro forma EPS	Rs. 20.70	Rs. 14.12
	Diluted		
	- No. of shares	324,445,776	320,133,536
	- EPS as reported	Rs. 23.12	Rs. 17.36
	- Pro forma EPS	Rs. 20.28	Rs. 13.90

The following assumptions were used for calculation of fair value of grants:

	Year ended March 31, 2005	2004
Dividend yield	0.75%	0.61%
Expected volatility	60.61%	69.00%
Risk-free interest rate	7.00%	7.00%
Expected term (in years)	2.04	2.84

(b) Share application money pending allotment

Amount received from associates on exercise of stock options, pending allotment of shares is shown as share application money, pending allotment.

(c) Secured Loans

Vehicles are hypothecated to the Banks/Financial Institutions as security for the amounts borrowed.

(d) Land

During the year, the Company has entered an agreement of sale to acquire land measuring 5.04 acres at Madhapur, Hyderabad with AP Industrial Infrastructure Corporation Limited. As per the agreement, the company has paid Rs. 264.02 lakhs towards purchase of the land and the same has been disclosed as Freehold Land. On satisfaction of certain terms and conditions laid down in the agreement, the deed of conveyance shall be executed in favour of the company after payment of differential stamp duty, if any. Non-compliance of certain terms and conditions would attract withdrawal of rebate, which may increase the cost of land.

(e) Details of advances to subsidiaries/associates are as follows:

Rs. in lakhs

	Balance as at March 31,		Maximum Balance March 31,	
Name of Company	**2005**	**2004**	**2005**	**2004**
Wholly-owned subsidiaries:				
Nipuna Services Limited	1,000.00	9.00	1,000.00	2,287.74
Satyam Technologies Inc.,	7.28	58.10	99.98	285.24
Satyam Computer Services (Shanghai) Co. Ltd.	10.02	—	10.02	—
Associate Companies:				
SIFY Limited	0.75	74.31	76.14	74.31

(f) Balances with Non-Scheduled Banks

Rs. in lakhs

Name of the Bank	Balances as at March 31, 2005	Balances as at March 31, 2004	Maximum Balances Year ended March 31, 2005	Maximum Balances Year ended March 31, 2004
Balances with Non-Scheduled Banks on Current Accounts				
Banque National De Paris, Spain	103.54	44.61	119.05	91.38
Banque National De Paris, Taipei	115.40	32.36	122.90	37.17
Citibank NA, Bangkok	780.24	179.28	882.43	407.10
Citibank NA, Chicago	3.74	3.81	4.03	3.98
Citibank NA, Dubai	175.13	40.68	248.41	119.38
Citibank NA, Hong Kong	12.27	6.38	24.25	10.88
Citibank, Hungary	13.67	—	50.20	—
Citibank NA, Kuala Lumpur	63.47	138.46	566.34	193.91
Citibank NA, London	274.62	73.26	863.60	905.92
Citibank NA, New York	791.42	154.24	3231.29	769.84
Citibank NA, Seoul	523.08	254.29	8,049.43	328.94
Citibank NA, Singapore	254.35	30.16	410.48	528.25
Citibank NA, Sydney	790.44	187.16	1,705.60	996.93
Citibank NA, Toronto	131.69	199.97	496.91	211.62
Dresdner Bank, Saarbruecken	183.11	19.85	637.90	211.81
First Union National Bank, Atlanta	6.29	6.33	6.68	6.57
First Union National Bank, New Jersey	351.41	50.05	1,049.98	515.91
Hong Kong and Shanghai Banking Corporation, London	1,700.08	885.83	2,627.34	2,243.16
Hong Kong and Shanghai Banking Corporation, Shanghai	1.66	4.38	5.49	19.91
Hong Kong and Shanghai Banking Corporation, Tokyo	712.60	370.36	712.60	575.36
KBC Bank N V, Brussels	133.89	54.70	217.22	167.21
Mitsui Sumitomo Bank, Tokyo	25.58	7.72	146.03	491.48
UBS Bank, Switzerland	99.16	—	236.94	—
Unicredit Bank, Italy	30.05	—	40.29	—
United Bank, Vienna	1,686.42	137.94	3,851.76	3,168.79
Woori Bank, Korea	29.76	—	30.39	—
	8,993.07	2,881.82		

(g) Related Party Transactions

The Company had transactions with the following related parties:

Subsidiaries: Satyam Europe Limited, Satyam Asia Pte Limited, Vision Compass, Inc., Nipuna Services Limited, Satyam Technologies, Inc., and Satyam Computer Services (Shanghai) Co. Ltd.

Joint Ventures (JVs): Satyam-Venture Engineering Services Private Limited and CA Satyam ASP Private Limited.

Associates: Sify Limited.

Whole-time Directors and Key Management Personnel: B.Ramalinga Raju, B.Rama Raju, Abraham Joseph, A.S.Murthy, Mohan Eddy, G.B.Prabhat, K.Kalyan Rao, Ram Mynampati, Thiagarajan. K (Partly Employed), D. Subramaniam, V. Srinivas, G. Jayaraman, Shailesh Shah, Vijay Prasad Boddupalli, Manish Sukhlal Mehta, Dr. Keshab Panda, Virender Aggarwal, T R Anand and Ravi Shankar Bommakanti.

Summary of the transactions and balances with the above related parties is as follows:

Transactions:

Rs. in lakhs

	Year ended March 31, 2005	2004
Sales:		
Subsidiaries	107.69	235.25
JVs	3.85	115.55
	111.54	350.80
Outsourcing:		
Subsidiaries	2,028.66	1,151.11
JVs	3,191.78	2,450.90
Associates	864.79	620.07
	6,085.23	4,222.08
Other Services:		
Subsidiaries	343.11	111.63
JVs	140.51	199.81
Associates	30.12	14.34
	513.74	325.78
Fixed Assets:		
Subsidiaries	—	198.91
Associates	10.72	37.48
	10.72	236.39
Investments:		
Subsidiaries	373.07	99.02
Advances:		
Subsidiaries	1,000.00	911.52

Rs. in lakhs

Balances :	As at March 31, 2005	2004
Accounts Receivable:		
Subsidiaries	123.88*	400.79*
JVs	31.53	251.18
Associates	—	15.91
	155.41	667.88
Payables:		
Subsidiaries	1,102.46	2,413.96
JVs	1,383.23	835.07
Associates	258.64	201.84
	2,744.33	3,450.87
Investments:		
Subsidiaries	4,573.20*	4,200.13*
JVs	1,071.35	1,071.35
Associates	2,203.57	2,203.57
	7,848.12	7,475.05
Advances and share application money:		
Subsidiaries	1,017.30	67.10
Associates	0.75	74.31
	1,018.05	141.41

* Net of provisions made

Transactions with Whole-time Directors and Key Managerial Personnel

Rs. in lakhs

	Year ended March 31, 2005	2004
Remuneration to Whole-time Directors	90.37	93.06
Remuneration to Key Managerial Personnel	1,659.06	669.44
Advances to Key Managerial Personnel	191.12	—

Balances due to / from Directors and Key Managerial Personnel

Rs. in lakhs

	As at March 31, 2005	2004
Remuneration Payable to Whole-time Directors	21.48	22.10
Remuneration Payable to Key Managerial Personnel	120.64	11.99
Advances due from Key Managerial Personnel	41.67	12.48

Maximum indebtedness from Key Managerial Personnel during the year was Rs. 171.45 lacs (2004 — Rs.12.48 lacs)

Options granted and outstanding to the Key Managerial Personnel — 2,898,188 {includes 618,432 options granted under ASOP — ADS} (2004 — 1,886,567 {includes 406,700 options granted under ASOP — ADS}).

(h) Obligation on long term non-cancelable operating leases

The Company has entered into operating lease agreements for its development centers at offshore, onsite and offsites ranging for a period of 3 to 10 years. The lease rentals charged during the year and maximum obligations on long-term non-cancelable operating leases payable as per the rentals stated in respective agreements are as follows:

Rs. in lakhs

	Year ended March 31, 2005	Year ended March 31, 2004
Lease rentals (Refer Schedule 14)	5,025.37	3,958.39

	As at March 31, 2005	As at March 31, 2004
Obligations on non-cancelable leases:		
Not later than one year	1,897.78	814.68
Later than one year and not later than five years	2,797.77	2,217.97
Later than five years	255.85	376.51
Total	**4,951.40**	**3,409.16**

(i) Earnings Per Share

Calculation of EPS (Basic and Diluted):

S. No.	Particulars	Year ended March 31, 2005	Year ended March 31, 2004
Basic			
1.	Opening no. of shares	316,251,710	314,542,800
2.	Total Shares outstanding	317,751,639	315,080,584
3.	Profit after Taxation (Rs. in lakhs)	75,026.00	55,579.18
4.	EPS	Rs. 23.61	Rs. 17.64
Diluted			
5.	Stock options outstanding	6,694,137	5,052,952
6.	Total shares outstanding (including dilution)	324,445,776	320,133,536
7.	EPS	Rs. 23.12	Rs. 17.36

(j) Commitments and Contingencies

i) Bank Guarantees outstanding Rs. 2,782.67 lakhs (2004 — Rs. 2,034.51 lakhs).

ii) Contracts pending execution on capital accounts, net of advances, Rs. 3,822.37 lakhs (2004 — Rs. 868.18 lakhs)

iii) Forward Contracts outstanding Rs. 131,726.16 lakhs (Equivalent US$ 301.50 millions) {2004 — Rs. 19,580.00 lakhs (Equivalent US$ 44.50 millions)}. Gain/(Loss) on foreign exchange forward contracts which are included under the head gain/(loss) on exchange fluctuation in the profit and loss account amounted to (Rs. 65.29 lakhs) (2004 — Rs.1,235.35 lakhs)

iv) Nipuna Services Limited (a wholly owned subsidiary-Nipuna) issued 45,669,999 and 45,340,000 0.05% Convertible Redeemable Cumulative Preference Shares of par value Rs.10 each fully paid-up in October 2003 and June 2004 respectively to Olympus BPO Holdings Ltd. and Intel Capital Corporation (investors) for an aggregate consideration of Rs. 9,100.99 lakhs (equivalent to USD 20 million). These Preference shares are to be mandatorily converted/redeemed into such number of equity shares latest by June 2007 based on certain provisions in the agreement entered with the investors relating to revenues and profits earned up to March 31, 2006. The said preference shares, if not converted or early converted at the option of the investors based on certain triggering events, are redeemable on maturity in June 2007 at a redemption premium, which could range in between 7.5% to 13.5% p.a. The company has guaranteed payment of all sums payable by Nipuna to the investors on redemption of the said Preference Shares.

Further the company is required to subscribe to Convertible Debentures amounting to USD 20 million based on certain provisions in the agreement. These Convertible Debentures shall bear an interest rate equal to the prime lending rate of the State Bank of India prevailing at that time and are convertible upon the election of Nipuna into Ordinary Shares at any time after issuance.

(k) Subsequent Event

On April 21, 2005, the Board of Directors of the Company, approved the proposed acquisition of Citisoft Plc (UK), (Citisoft), a business and systems consulting services company. The Company will acquire 100% of the fully diluted share capital of Citisoft Plc. for a total maximum purchase consideration of £20.5 million in all cash transaction. The Company will initially acquire approximately 75% of Citisoft and the balance in 2 equal installments. The purchase consideration would comprise an initial consideration, deferred consideration and contingent consideration based on earnings. The transaction is expected to be consummated by end of April 2005 and is subject to various regulatory approvals.

(l) Other Information

i) The Company is engaged in the development of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI of the Companies Act, 1956.

ii) Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to Directors.

Rs. in lakhs

	Year ended March 31,	
	2005	**2004**
Profit after tax from ordinary activities	75,026.00	55,579.18
Add:		
Managerial Remuneration	138.37	105.06
Director’s sitting fees	4.30	1.75
Depreciation as per Profit and Loss Account	10,394.21	10,848.32
Loss on sale of fixed assets (net) as per Profit and Loss Account	111.90	122.08
Provision for doubtful debts and advances	1,785.06	1,670.52
Wealth tax	4.73	4.44
Provision for taxation	11,674.34	10,615.29
Less:		
Profit on sale of long term investments	—	1,758.77
Profit on sale of current investments	—	3.27
Provision no longer required written back	47.08	190.11
Depreciation as per Section 350 of the Companies Act, 1956	10,394.21	10,848.32
Loss on sale of fixed assets (net) as per Section 350 of the Companies Act, 1956	111.90	122.08
Net Profit in accordance with Section 349 of the Companies Act, 1956	88,585.72	66,024.09
Commission payable @ 1% of the net profit	885.86	660.24
Commission to Directors restricted to		
- Whole-time Directors	34.80	34.80
- Non-executive Directors	48.00	12.00

iii) Auditors' Remuneration:

Rs. in lakhs

	Year ended March 31, 2005	Year ended March 31, 2004
Statutory audit	55.00	55.00
Other services	9.00	9.00
Out of pocket expenses	1.37	1.28

iv) Earnings in foreign exchange (on receipt basis):

Rs. in lakhs

	Year ended March 31, 2005	Year ended March 31, 2004
Income from software development services	303,243.51	229,344.98
Interest received on deposits with Banks	—	14.10

v) C.I.F. value of imports

Rs. in lakhs

	Year ended March 31, 2005	Year ended March 31, 2004
Capital goods	6,545.19	3,432.27

vi) Expenditure in foreign currency (on payment basis):

Rs. in lakhs

	Year ended March 31, 2005	Year ended March 31, 2004
Traveling expenses	7,020.97	5,933.80
Expenditure incurred at overseas branches	167,670.46	124,713.19
Others	5,917.18	4,878.20

(m) Dividends remitted in foreign currency:

The Company does not make any direct remittances of dividends in foreign currency. The Company remits equivalent of the dividend payable to the holders of ADS in Indian Rupees to the depository bank, which is the registered shareholder on records for all owners of the Company's ADS. The depository bank purchases the foreign currencies and remits dividend to the ADS holders. The Company remitted Rs. 1,618.63 lakhs during the year (2004 — Rs. 1,134.08 lakhs)

(n) Reclassification:

Figures for the corresponding year have been regrouped, recast and rearranged to conform to those of the current year wherever necessary.

Satyam Computer Services Limited

Description of Business

Satyam Computer Services Limited and its consolidated subsidiaries, Joint Ventures and Associates (hereinafter referred to as "*Satyam* ") are engaged in providing information technology services, developing software products and business process outsourcing.

Satyam Computer Services Limited (hereinafter referred to as "*Satyam Computer Services*") is an information technology ("IT") services provider that uses a global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. Satyam Computer Services was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. Satyam Computer Services has offshore development centers located throughout India that enables it to provide high quality and cost-effective solutions to clients. It also has offsite centers located in the United States, United Kingdom, Germany, Singapore, Malaysia, Australia, Japan and Dubai. The range of services offered by it, either on a "time and material" basis or "fixed price", includes consulting, systems design, software development, system integration and application maintenance. Satyam Computer Services offers a comprehensive range of IT services, including software development, packaged software integration, system maintenance and engineering design services. Satyam Computer Services has established a diversified base of corporate customers in a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Nipuna Services Limited ("Nipuna") a wholly owned subsidiary of Satyam Computer Services is engaged in providing Business Process Outsourcing services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

Statement on Significant Accounting Policies

a) Basis of Consolidation

The Consolidated Financial Statements include the accounts of Satyam Computer Services and its subsidiary companies. Subsidiary companies are those in which Satyam Computer Services, directly or indirectly, have an interest of more than one half of the voting power or otherwise have power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal.

All inter company transactions, balances and unrealized surpluses and deficits on transactions between Group companies are eliminated. Consistency in adoption of accounting polices among all group companies is ensured to the extent practicable. Separate disclosure is made of minority interest.

Investments in Business entities over which the company exercises joint control are accounted for using the proportionate consolidation except where the control is considered to be temporary. Investment in associates are accounted for using the equity method.

On occasion, a subsidiary or associated company accounted for by the equity method ("offering company") may issue its shares to third parties as either a public offering or private placement at per share amounts in excess of or less than Satyam's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the dilution of interest are recorded as Capital Reserve/Goodwill. Gain or losses arising on the direct sales by Satyam of its investment in its subsidiaries or associated companies to third parties are transferred to Profit and Loss Account. Such gains or losses are the difference between the sale proceeds and net carrying value of investments.

Minority Interest in subsidiaries represents the minority shareholders proportionate share of net assets and the net income of Satyam's majority owned subsidiaries.

b) Use of Estimates

The preparation of the financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported year. Actual results could differ from those estimates.

c) Revenue Recognition

i) IT Services

Revenue from professional services consist primarily of revenue earned from services performed on a "time and material" basis. The related revenue is recognized as and when the services are performed. Satyam Computer Services also performs time bound fixed-price engagements, under which revenue is recognized using the percentage of completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the year in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

Unearned revenue is calculated on the basis of the unutilized period of time at the Balance Sheet and represents revenue which is expected to be earned in future periods in respect of internet, e-mail services, electronic data interchange and web hosting services.

ii) Business Process Outsourcing

Revenue from per engagement services is recognized based on the number of engagements performed. Revenues from per time period services are recognized based on the time incurred in providing services at contracted rates. Revenue from per incident services is based on the performance of specific criteria at contracted rates.

d) Foreign Currency Transactions/Translations

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account.

Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

The operations of foreign branches of the company are of integral in nature and the financial statements of these branches are translated using the same principles and procedures of head office.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains/losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period), is recognized in the profit and loss account for the period.

Foreign subsidiaries are non-integral in nature. Assets and Liabilities of such subsidiaries are translated at the year end exchange rate, income and expenditure are translated at the average rate during the period. The resultant translation adjustment is reflected as a separate component of shareholders' funds as a 'Currency Translation Reserve'.

e) Fixed Assets

Fixed assets are stated at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

Gains/losses arising on foreign exchange liabilities incurred for the purpose of acquiring fixed assets are adjusted in the carrying amount of the respective fixed assets.

Depreciation on fixed assets is computed on the straight line method over their estimated useful lives at the rates which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs. 5,000 are entirely depreciated in the year of acquisition.

The cost of and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Costs of application software for internal use are generally charged to revenue as incurred due to its estimated useful lives being relatively short, usually less than one year.

The estimated useful lives are as follows:

	Estimated useful lives
Buildings	28 years
Computers	2 years
Plant and Machinery (Other than Computers)	5 years
Software – used in Development for Projects	3 years
Office Equipment	5 years
Furniture, Fixtures and Interiors	5 years
Vehicles	5 years
Leasehold improvements	Shorter of lease period or estimated useful lives

Depreciation on assets acquired under a finance lease is provided using the straight-line method over the shorter of the lease term or the useful life of the asset.

Assets under installation or under construction as at the Balance sheet date are shown as capital work in progress. Advances paid towards acquisition of assets are also included under capital work in progress.

f) Goodwill and Other Intangible Assets

Goodwill represents the difference between the purchase price and the book value of assets and liabilities acquired. Goodwill is amortized over the useful life of the asset. The goodwill is reviewed for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. If impairment is indicated, the asset is written down to its fair value.

g) Investments

Investments are classified into current investments and long-term investments. Current investments are carried at the lower of cost or fair value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the profit and loss account. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of hardware and software purchased for the purpose of resale is determined using the first-in-first-out method.

i) Employee Benefits

Contributions to defined Schemes such as Provident Fund, Employee State Insurance Scheme and Superannuation are charged as incurred on accrual basis. Satyam Computer Services also provides for other retirement benefits in the form of gratuity and leave encashment based on actuarial valuation made by independent actuary as at the balance sheet date.

j) Taxes on Income

Tax expense for a year comprises of current tax and deferred tax. Current taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of change. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

k) Earnings Per Share

The earnings considered in ascertaining Satyam's Earnings Per Share comprises the net profit after tax (and includes the post tax effect of any extra ordinary items). The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving Basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as at the beginning of the year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). The number of shares and potentially dilutive shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

l) Associate Stock Option Scheme

Stock options granted to the employees under the stock option schemes established after June 19, 1999 are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on straight-line method over the vesting period of the options. The un-amortized portion of the cost is shown under Reserves and Surplus.

m) Research and Development

Revenue expenditure incurred on research and development is charged to revenue in the year/period in which it is incurred. Assets used for research and development activities are included in fixed assets.

n) Miscellaneous Expenditure

Miscellaneous expenditure is charged to profit and loss account in the year/period in which it is incurred irrespective of its enduring benefit available in future.

Satyam Computer Services Limited
Consolidated Balance Sheet as at March 31, 2005

Rs. in lakhs

	Schedule Reference	As at 31.03.2005	As at 31.03.2004
I. Sources of Funds :			
1. Shareholders' Funds			
(a) Share Capital	1	15,486.31	10,892.03
(b) Share application money, pending allotment		44.66	18.62
(c) Reserves and Surplus	2	314,281.29	254,458.23
		329,812.26	**265,368.88**
2. Loan Funds			
(a) Secured Loans	3	1,892.00	819.90
		331,704.26	**266,188.78**
II. Application of Funds :			
1. Fixed Assets	4		
(a) Gross Block		101,422.25	87,612.17
(b) Less: Depreciation		70,565.09	60,037.13
(c) Net Block		30,857.16	27,575.04
(d) Capital Work in Progress		6,928.68	3,149.64
		37,785.84	**30,724.68**
2. Investments	5	7,631.41	9,647.06
3. Deferred Tax Assets (net)	6	1,070.96	529.31
4. Current Assets, Loans and Advances			
(a) Inventories	7	18.53	48.78
(b) Sundry Debtors	8	78,046.52	59,933.94
(c) Cash and Bank Balances	9	237,013.26	182,458.42
(d) Loans and Advances	10	11,475.44	7,763.73
(e) Other Current Assets			
- Interest Accrued on Fixed Deposits		2,446.76	9,147.33
		329,000.51	259,352.20
Less: Current Liabilities and Provisions			
(a) Liabilities	11	24,828.69	18,134.60
(b) Provisions	12	18,955.77	15,929.87
		43,784.46	34,064.47
Net Current Assets		**285,216.05**	**225,287.73**
		331,704.26	**266,188.78**
Notes to Accounts	18		

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Consolidated Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.

for and on behalf of the Board of Directors

S. Gopalakrishnan
Partner

for and on behalf of
Price Waterhouse
Chartered Accountants

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director
& Sr. Vice President — Finance

G. Jayaraman
Vice President (Corp. Affairs)
& Company Secretary

Place : Secunderabad
Date : April 21, 2005

Place : Secunderabad
Date : April 21, 2005

Satyam Computer Services Limited

Consolidated Profit and Loss Account for the Year Ended March 31, 2005

Rs. in lakhs

	Schedule Reference	Year Ended 31.03.2005	Year Ended 31.03.2004
Income			
Services			
- Exports		338,695.48	248,835.63
- Domestic		13,389.43	7,213.56
Other Income	13	8,683.23	7,507.32
		360,768.14	**263,556.51**
Expenditure			
Personnel Expenses	14	202,610.91	134,550.61
Cost of Software and Hardware sold	15	99.48	81.65
Operating and Administration Expenses	16	62,555.46	53,690.22
Financial Expenses	17	91.19	102.16
Depreciation		11,329.85	11,502.02
Miscellaneous Expenditure Written Off		215.83	373.32
		276,902.72	**200,299.98**
Profit Before Taxation		**83,865.42**	**63,256.53**
Provision for Taxation - Current		12,299.13	10,809.81
- Deferred		(541.66)	(184.71)
- Earlier years		(1.40)	0.84
Profit After Taxation and Before share of loss in associate company		**72,109.35**	**52,630.59**
Share of loss in associate company		(944.86)	(1,292.02)
Profit After Taxation and share of loss in associate company		**71,164.49**	**51,338.57**
Add: Balance brought forward from previous year		79,675.28	48,632.45
Profit Available for Appropriation		**150,839.77**	**99,971.02**
Appropriations :			
Interim Dividend @ Rs.2.00 per Equity Share of Rs. 2 each (2004 — Rs.1.20 per Equity Share)		6,362.64	3,779.19
Final Dividend @ Rs.3.00 per Equity Share of Rs. 2 each (2004 — Rs.2.80 per Equity Share)		9,600.46	8,892.93
Tax on distributed profits		2,086.18	1,623.62
Transfer to General Reserve		7,510.00	6,000.00
Balance carried to Balance Sheet		**125,280.49**	**79,675.28**
Earnings Per Share (Rs. per equity share of Rs. 2 each)			
Basic		22.40	16.29
Diluted		21.93	16.04
No. of Shares used in computing Earnings Per Share			
Basic		317,751,639	315,080,584
Diluted		324,445,776	320,133,536
Notes to Accounts	18		

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Consolidated Profit and Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

for and on behalf of the Board of Directors

S. Gopalakrishnan
Partner
for and on behalf of
Price Waterhouse
Chartered Accountants

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director
& Sr. Vice President — Finance

G. Jayaraman
Vice President (Corp. Affairs)
& Company Secretary

Place : Secunderabad
Date : April 21, 2005

Place : Secunderabad
Date : April 21, 2005

Satyam Computer Services Limited
Schedules forming part of the Consolidated Balance Sheet

Rs. in lakhs

		As at 31.03.2005	As at 31.03.2004
1.	**Share Capital**		
	Authorised :		
	37,50,00,000 Equity Shares of Rs. 2 each	7,500.00	7,500.00
	100,000,000 (2004 — 100,000,000) 0.05% Convertible Redeemable Cumulative Preference Shares of Rs. 10 each	10,000.00	10,000.00
	Issued and Subscribed :		
	319,265,291 (2004 — 316,251,710) Equity Shares of Rs. 2 each fully paid-up	6,385.31	6,325.03
	91,009,999 (2004 — 45,669,999) 0.05% Convertible Redeemable Cumulative Preference Shares of Rs. 10 each fully paid-up	9,101.00	4,567.00
	(Refer note (c) of Schedule 18)		
		15,486.31	**10,892.03**
	Out of the above:		
	4,000,000 Equity Shares of Rs. 2 each were allotted as fully paid-up Equity Shares for a consideration other than cash pursuant to the Scheme of Amalgamation with Satyam Enterprise Solutions Limited		
	140,595,000 Equity Shares of Rs. 2 each were allotted as fully paid-up by way of Bonus Shares by capitalising free reserves of Satyam Computer Services		
	34,016,154 (2004 — 33,639,972) Equity Shares of Rs. 2 each fully paid-up represent 16,874,086 (2004 — 16,819,986) American Depository Shares		
	4,425,291 (2004 — 1,711,710) Equity Shares of Rs. 2 each fully paid-up were allotted to associates of Satyam Computer Services pursuant to the Associate Stock Option Plan — B and Associate Stock Option Plan (ADS)		
2.	**Reserves and Surplus**		
	Share Premium Account		
	As at the commencement of the year	82,492.33	78,711.38
	Add: Received on account of issue of ADS / ASOP	6,601.78	3,780.95
		89,094.11	**82,492.33**
	Capital Reserve		
	As at the commencement of the year	71,866.60	71,890.49
	Add: Gain/(loss) on dilution in share holding of associate company	141.01	(23.89)
	Investment Subsidy	6.25	—
		72,013.86	**71,866.60**
	General Reserve		
	As at the commencement of the year	20,804.89	14,804.88
	Add : Transfer from the Profit and Loss Account	7,510.00	6,000.00
		28,314.89	**20,804.88**
	Currency Translation Reserve	**(502.47)**	**(473.90)**
	Employee Stock Options		
	Employee Stock Options Outstanding	80.41	93.58
	Less: Deferred Employee Compensation	—	0.54
		80.41	**93.04**
	Balance in Profit and Loss Account	125,280.49	79,675.28
		314,281.29	**254,458.23**

3.	**Secured Loans**		
	Working Capital Loans	116.61	47.75
	Export Packing Credit	734.87	—
	Vehicle Loans	1,040.52	772.15
		1,892.00	**819.90**

Satyam Computer Services Limited

Schedules forming part of the Consolidated Balance Sheet

4. Fixed Assets

Rs. in lakhs

DESCRIPTION	GROSS BLOCK Cost 01.04.2004	Additions	Deletions/ Adjustments	Cost 31.03.2005	DEPRECIATION As at 01.04.2004	For the year @	Deletions/ Adjustments	As at 31.03.2005	NET BLOCK As at 31.03.2005	As at 31.03.2004
1. Goodwill	1,572.45	—	—	1,572.45	—	—	—	—	1,572.45	1,572.45
2. Land & Land Development										
-Freehold*	1,813.90	861.08	—	2,674.98	—	—	—	—	2,674.98	1,813.90
-Leasehold	813.30	—	—	813.30	1.56	0.41	—	1.97	811.33	811.74
3. Buildings**	5,211.38	713.65	—	5,925.03	859.31	192.80	—	1,052.11	4,872.92	4,352.07
4. Plant and Machinery (Including Computers)	61,665.09	10,497.12	307.12	71,855.09	47,121.81	8,972.62	305.93	55,788.50	16,066.59	14,543.28
5. Office Equipment	1,343.43	595.68	3.87	1,935.24	906.33	226.76	3.81	1,129.28	805.96	437.10
6. Furniture, Fixtures and Interiors	13,201.14	1,175.80	194.33	14,182.61	10,430.60	1,463.60	194.33	11,699.87	2,482.74	2,770.54
7. Vehicles	1,991.48	1,009.63	537.56	2,463.55	717.52	470.81	294.97	893.36	1,570.19	1,273.96
Total	**87,612.17**	**14,852.96**	**1,042.88**	**101,422.25**	**60,037.13**	**11,327.00**	**799.04**	**70,565.09**	**30,857.16**	**27,575.04**
As at 31.03.2004	**80,601.44**	**8,313.77**	**1,303.04**	**87,612.17**	**49,434.80**	**11,502.02**	**899.69**	**60,037.13**	**27,575.04**	

* Includes Rs.264.02 lakhs (2004 — Nil) in respect of which deed of conveyance is pending { Refer note (g) of Schedule 18}.

** Includes Rs.2,128.49 lakhs (2004 — Rs.1,414.84 lakhs) constructed on leasehold land.

@ Depreciation for the year includes Rs.2.85 lakhs considered in Currency Translation Reserve due to translation of non-integral foreign subsidiaries.

Satyam Computer Services Limited
Schedules forming part of the Consolidated Balance Sheet

Rs. in lakhs

		As at 31.03.2005		As at 31.03.2004	
5.	**Investments**				
a)	**Long Term**				
i)	**Trade (Unquoted)**				
	Investment in Associate Companies				
	Sify Limited		7,631.25		8,435.10
	11,182,600 Equity Shares of Rs. 10 each, fully paid-up				
	Other Investments				
	Jasdic Park Company	75.18		75.18	
	(480 Shares of J Yen 50,000 each, fully paid-up)				
	Less: Received on liquidation	26.31		26.31	
	Less : Provision for diminution	48.87	—	48.87	—
	Intouch Technologies Limited	1,090.18		1,090.18	
	(833,333 Shares of 20 US cents each, fully paid-up)				
	Less : Provision for diminution	1,090.18	—	1,090.18	—
	Medbiquitious Services Inc.,	157.08		157.08	
	(3,34,000 shares of ‘A’ series Preferred Stock of US Dollars 0.001 each, fully paid-up)				
	Less : Provision for diminution	157.08	—	157.08	—
	Avante Global LLC.,	254.36		254.36	
	(577,917 class ‘A’ units representing a total value of US Dollars 540,750, fully paid-up)				
	Less : Provision for diminution	254.36	—	254.36	—
ii)	**Non Trade (Unquoted)**				
	National Savings Certificates, VIII Series		0.16		0.16
	(Lodged as security with government authorities)				
b)	**Current Investments (Other than trade — Quoted)**				
	Templeton India Floating Rate Fund		—		707.45
	Sold during the year (2004 — 7,069,648) units of Rs. 10 each fully paid-up				
	Templeton India Treasury Management		—		504.35
	Sold during the year (2004 — 33,357) units of Rs. 10 each fully paid-up		**7,631.41**		**9,647.06**

Satyam Computer Services Limited
Schedules forming part of the Consolidated Balance Sheet

Rs. in lakhs

		As at 31.03.2005	As at 31.03.2004
6.	**Deferred Tax Assets/(Liabilities)**		
	Debtors	1,039.76	782.81
	Advances	76.04	74.55
	Fixed Assets	(1,286.81)	(1,076.15)
	Others	1,241.97	748.10
		1,070.96	**529.31**
7.	**Inventories**		
	Traded software and hardware	18.53	48.78
		18.53	**48.78**
8.	**Sundry Debtors (Unsecured)**		
	Considered good *		
	(a) Over six months old	2,647.93	1,533.84
	(b) Other debts	75,398.59	58,400.10
		78,046.52	**59,933.94**
	Considered doubtful	7,647.97	5,919.17
		85,694.49	**65,853.11**
	Less: Provision for doubtful debts	7,647.97	5,919.17
		78,046.52	**59,933.94**

* Debtors include Unbilled Revenue Rs. 7,379.93 lakhs (2004 — Rs.1,031.85 lakhs)

9.	**Cash and Bank Balances***		
	Cash on hand	20.99	9.04
	Remittances in Transit	6,663.69	—
	Balances with Scheduled Banks		
	- On Current accounts	40,011.55	31,771.81
	- On Deposit accounts	180,623.77	147,042.95
	Unclaimed Dividend Accounts	458.28	359.11
	Balances with Non-Scheduled Banks**		
	- on Current Accounts	9,234.98	3,182.78
	- on Deposit Accounts	—	92.73
		237,013.26	**182,458.42**

* Includes unutilised amount of ADS issue proceeds — Rs. 39,214.12 lakhs (2004 — Rs. 39,214.12 lakhs)

** Refer note (h) of Schedule 18

10.	**Loans and Advances**		
	(Considered good unless otherwise stated)		
	Loans and Advances		
	Secured - Loans	22.09	30.30
	Unsecured - Advances recoverable in cash or in kind or for value to be received	7,228.39	4,688.30
	- Deposits	4,224.96	3,045.13
	Considered doubtful - Advances	1,441.92	1,374.17
		12,917.36	**9,137.90**
	Less: Provision for doubtful advances	1,441.92	1,374.17
		11,475.44	**7,763.73**

11. Liabilities

Sundry Creditors		
- Dues to small scale industrial undertakings	—	—
- Dues to other than small scale industrial undertakings	17,093.94	13,246.16
Advances from Customers	101.37	80.80
Unearned Revenue	2,464.29	822.50
Investor Education Protection Fund — Unclaimed Dividends	458.28	359.11
Other Liabilities	4,710.81	3,626.03
	24,828.69	**18,134.60**

12. Provisions

Provision for Taxation (Less payments)	4,663.72	3,745.70
Proposed Dividend (Including tax thereon)	10,855.12	10,032.34
Provision for Post Project Execution Warranty	—	47.08
Provision for Gratuity and Leave Encashment	3,436.93	2,104.75
	18,955.77	**15,929.87**

Satyam Computer Services Limited

Schedules forming part of the Consolidated Profit and Loss Account

Rs. in lakhs

		Year Ended 31.03.2005	Year Ended 31.03.2004
13.	**Other Income**		
	Interest on Deposits — Gross		
	{Tax Deducted at Source Rs.2,090.52 lakhs} (2004 — Rs.1,907.38 lakhs)	10,017.88	9,338.13
	Dividends from Current Investments — Trade	10.66	17.20
	Profit on sale of current investments — Trade	19.22	3.67
	Profit on sale of Long Term Investments	—	1,168.19
	Loss on exchange fluctuations (net)	(2,083.28)	(3,169.96)
	Provision no longer required written back	490.97	26.64
	Miscellaneous Income	227.78	123.45
		8,683.23	**7,507.32**
14.	**Personnel Expenses**		
	Salaries and bonus	187,634.51	122,057.20
	Contribution to Provident and other funds	13,686.23	11,721.71
	Staff welfare expenses	1,302.55	759.16
	Employee stock compensation expense	(12.38)	12.54
		202,610.91	**134,550.61**
15.	**Cost of software and hardware sold**		
	Opening inventory	48.78	111.12
	Add: Purchases (net of returns)	69.23	19.31
	Less: Closing inventory	18.53	48.78
		99.48	**81.65**
16.	**Operating and Administration Expenses**		
	Rent	5,629.83	4,229.43
	Rates and taxes	1,040.05	464.62
	Insurance	1,190.90	1,543.97
	Travelling and conveyance	18,506.67	16,159.06
	Communication	5,891.96	4,480.40
	Printing and stationery	557.81	395.17
	Power and fuel	2,038.94	1,388.50
	Advertisement	489.15	440.27
	Marketing expenses	5,664.11	4,962.88
	Repairs and maintenance		
	- Buildings	89.26	124.81
	- Machinery	1,127.78	655.47
	- Others	1,226.52	1,196.97
	Security services	211.96	155.91
	Legal and professional charges	7,763.23	7,222.13
	Provision for doubtful debts and advances	1,796.55	1,787.51
	Loss on sale of Fixed assets (net)	118.09	122.08
	Directors' sitting fees	4.30	1.75
	Auditors' remuneration	92.18	89.02
	Donations and contributions	157.27	19.98
	Subscriptions	264.74	313.61
	Training and development	1,183.15	760.97
	Research and development	288.09	291.00
	Software charges	3,339.71	2,494.61
	Managerial Remuneration		
	- Salaries	34.80	34.80
	- Commission	82.80	46.80
	- Contribution to P.F.	4.18	4.18
	- Others	16.59	19.28
	Visa charges	1,719.31	1,985.11

Miscellaneous expenses	2,025.53	2,299.93
	62,555.46	**53,690.22**

17. Financial Expenses

Interest on working capital loans	6.55	16.53
Other finance charges	84.64	85.63
	91.19	**102.16**

Satyam Computer Services Limited
Consolidated Cash Flow Statement for the year ended March 31, 2005

Rs. in lakhs

		Year Ended 31.03.2005	Year Ended 31.03.2004
A.	**Cash Flows from Operating Activities**		
	Net Profit Before Interest and Tax	73,415.57	54,114.50
	Depreciation	11,329.85	11,502.02
	Loss on sale of Fixed Assets	118.09	122.08
	Dividend income on Current Investments	(10.66)	(17.20)
	Profit on sale of Long term Investments	—	(1,168.19)
	(Increase)/Decrease in Inventories	30.25	62.34
	(Increase)/Decrease in Sundry Debtors	(18,112.58)	(10,782.30)
	(Increase)/Decrease in Loans and Advances	(3,711.71)	(1,543.94)
	Increase/(Decrease) in Current Liabilities and Other Provisions	8,470.16	1,666.77
	Income Taxes Paid	(11,379.71)	(14,710.70)
	Exchange differences on translation of foreign currency cash and cash equivalents	538.00	1,811.80
	Net Cash Flow from Operating Activities	**60,687.26**	**41,057.18**
B.	**Cash Flows from Investing Activities**		
	Purchase of Fixed Assets	(18,662.86)	(8,388.07)
	Purchase of Long Term Investments	—	(0.16)
	Proceeds from liquidation/sale of Long term Investment	—	1,982.14
	Proceeds from sale of Fixed Assets	125.80	73.05
	Proceeds from sale of Current Investments	19.22	3.67
	Proceeds from Long Term matured Deposits	144,145.52	—
	Investment in Long Term Deposits	(179,550.00)	(20,891.25)
	Dividend income from Current Investments	10.66	17.20
	Interest accrued / income received	16,724.70	2,029.34
	Interest on ADS Deposits	—	14.10
	Net Cash Flow from Investing Activities	**(37,186.96)**	**(25,159.98)**
C.	**Cash Flows from Financing Activities**		
	Proceeds from issue of Share Capital	11,177.19	8,382.09
	Receipt of Share Application money pending allotment	44.66	18.62
	Proceeds from Secured Loans	1,844.44	1,068.25
	Repayment of Secured Loans	(772.34)	(1,001.16)
	Repayment of Unsecured Loan	—	(1,188.50)
	Financial Expenses Paid	(91.19)	(102.16)
	Dividends Paid	(17,226.50)	(12,069.96)
	Net Cash Flow from Financing Activities	**(5,023.74)**	**(4,892.82)**
D.	**Exchange differences on translation of foreign currency cash and cash equivalents**	**(538.00)**	**(1,811.80)**
	Net Increase in Cash and Cash equivalents during the year	17,938.56	9,192.58
	Cash and Cash equivalents at the beginning of the year	39,524.70	30,332.12
	Cash and Cash equivalents at the end of the year	**57,463.26**	**39,524.70**
	Supplementary Information		
	Cash and Bank Balances as per Balance sheet	237,013.26	182,458.42
	Add: Current Investments in Mutual Funds considered as cash equivalents	—	1,211.80
	Less: Long Term Deposits with Scheduled Banks considered as Investments	179,550.00	144,145.52
	Balance considered for Cash Flow Statement	**57,463.26**	**39,524.70**

This is the Consolidated Cash Flow Statement referred to in our report of even date.

for and on behalf of the Board of Directors

S. Gopalakrishnan
Partner

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

for and on behalf of
Price Waterhouse
Chartered Accountants

V. Srinivas
Director
& Sr. Vice President — Finance

G. Jayaraman
Vice President (Corp. Affairs)
& Company Secretary

Place : Secunderabad
Date : April 21, 2005

Place : Secunderabad
Date : April 21, 2005

18. Notes to Accounts

a) List of domestic and foreign subsidiaries, joint ventures and associate considered for consolidation:-

Sl. No.	Name of the Company	Country of Incorporation	Extent of Holding (%) as at March 31, 2005
	Subsidiaries :		
1.	Nipuna Services Limited	India	100.00
2.	Satyam Computer Services (Shanghai) Co. Ltd	China	100.00
3.	Satyam Technologies, Inc.	USA	100.00
	Associate :		
4.	Sify Limited	India	31.61
	Joint Ventures :		
5.	CA Satyam ASP Private Limited	India	50.00
6.	Satyam-Venture Engineering Services Private Limited	India	50.00

i.) Satyam Asia Pte Limited, a wholly-owned subsidiary, ceased to exist w.e.f. October 22, 2004.

ii.) Satyam (Europe) Limited, a wholly-owned subsidiary, ceased to exist w.e.f. March 08, 2005.

iii.) Holding in Sify Limited changed from 32.04% to 31.61% since March 31, 2004.

iv.) The reporting date for all the above companies is March 31 except Satyam Technologies, Inc. and Satyam Computer Services (Shanghai) Co. Ltd., for which the reporting date is December 31.

v.) The name of Satyam Manufacturing Technologies, Inc. has been changed to Satyam Technologies, Inc. w.e.f 17 March 2005.

b) Associate Stock Option Schemes

1) Stock Option Scheme of Satyam Computer Services

i) Scheme established prior to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, (SEBI guidelines on Stock Options).

In May 1998, Satyam Computer Services established its Associate Stock Option Plan (the “ASOP”). Satyam Computer Services subsequently established an employee welfare trust called the Satyam Associates Trust (the “Trust”), to administer the ASOP and issued warrants to purchase 6,500,000 equity shares of Rs. 2 each in Satyam Computer Services. In turn, the Trust periodically grants to eligible employees warrants to purchase equity shares held by Trust for the issuance to the employees. The warrants may vest immediately or may vest over a period ranging from two to three years, depending on the employee’s length of service and performance. Upon vesting, employees have 30 days to exercise warrants. The exercise price of the warrants was fixed at Rs. 450 per warrant.

At the 12th Annual General Meeting held in May 28, 1999, shareholders approved a 1:1 Bonus issue to all shareholders as of August 31, 1999. In order to ensure all its employees receive the benefits of the bonus issue in December 1999, the Trust exercised all its warrants to purchase Satyam Computer Service’s shares prior to the bonus issue using the proceeds obtained from bank loans. Subsequent to this, each warrant entitles the holder to purchase 10 shares of Rs. 2 each of Satyam Computer Services at a price of Rs. 450 per warrant plus an interest component associated with the loan which the Trust assumed, for conversion of the warrants it held. The interest component is computed based on fixed vesting period and a fixed interest rate. As this scheme is established prior to the SEBI guidelines on the stock options, there is no cost relating to the grant of options under this scheme.

ii) Scheme established after SEBI Guidelines on Stock Options

Securities Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999, which is applicable for all Stock Option Schemes established after June 19, 1999.

Satyam Computer Services established a scheme "Associate Stock Option Plan — B" (ASOP — B) for which 41,727,140 equity shares of Rs. 2 each were earmarked. Upon vesting, associates have 5 years to exercise these shares.

Accordingly, options (net of cancellations) for a total number of 26,830,315 equity shares of Rs. 2 each were outstanding as at March 31, 2005 (2004 — 17,510,481).

Changes in number of options outstanding were as follows:

	Year ended March 31,	
Options	**2005**	**2004**
At the beginning of the year	17,510,481	14,464,148
Granted	14,205,757	5,110,799
Exercised	(2,637,399)	(1,418,938)
Cancelled	(2,248,524)	(645,528)
At the end of the year	**26,830,315**	**17,510,481**

iii) Associate Stock Option Plan (ADS)

Satyam Computer Services has established a scheme "Associate Stock Option Plan (ADS)" to be administered by the Administrator of the ASOP (ADS), a committee appointed by the Board of Directors of Satyam Computer Services. Under the scheme 2,574,665 ADSs are reserved to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the day of grant as decided by the Administrator of the ASOP (ADS). Each ADS represents two equity shares of Rs. 2 each fully paid up. These warrants vest over a period of 1-10 years from the date of the grant. The time available to exercise the warrants upon vesting is as decided by the Administrator of the ASOP(ADS).

Accordingly, options (net of cancellation) for a total number of 1,257,901 (2004 — 1,181,432) representing 2,515,802 equity shares of Rs. 2 each were outstanding as at March 31, 2005 (2004 — 2,362,864).

Changes in number of options outstanding were as follows:

	Year ended March 31,	
Options	**2005**	**2004**
At the beginning of the year	1,181,432	1,263,275
Granted	366,724	127,343
Exercised	(188,091)	(144,986)
Cancelled	(102,164)	(64,200)
At the end of the year	**1,257,901**	**1,181,432**

2) Stock Option Scheme of Nipuna Services

In April 2004, Nipuna Services established its Employee Stock Option Plan (the "ESOP") be issued to employees. The exercise price is equal to the fair market value on the date of the grant. These options vest over a period ranging from two to four years, starting with 33.33% in the second year, 33.33% in the third year and remaining 33.34% in the fourth year from the date of grant. Upon granting, they are subject to lock in period of one year.

As at March 31, 2005, 813,578 options at weighted average exercise price of Rs. 80 being the fair market value per share were outstanding.

c) Pro forma disclosure:

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black Scholes' model, the pro-forma amounts of Satyam's net profit and earnings per share would have been as follows:

	Particulars	Year ended March 31, 2005	Year ended March 31, 2004
1.	**Profit After Taxation and share of loss in associate company (Rs. in lakhs)**		
	- As reported (Rs. in lakhs)	71,164.49	51,338.57
	- Pro forma (Rs. in lakhs)	61,922.11	40,254.03
2.	**Earnings Per Share:**		
	Basic		
	- No. of shares	317,751,639	315,080,584
	- EPS as reported (Rs.)	22.40	16.29
	- Pro forma EPS (Rs.)	19.49	12.78
	Diluted		
	- No. of shares	324,445,776	320,133,536
	- EPS as reported (Rs.)	21.93	16.04
	- Pro forma EPS (Rs.)	19.09	12.57

The following assumptions were used for calculation of fair value of grants:

	Year ended March 31, 2005	Year ended March 31, 2004
Dividend yield	0.75%	0.61%
Expected volatility	60.61%	69.00%
Risk-free interest rate	7.00%	7.00%
Expected term (in years)	2.04	2.84

d) Convertible Redeemable Cumulative Preference Shares

Nipuna Services issued 45,669,999 and 45,340,000 0.05% Convertible Redeemable Cumulative Preference Shares of par value Rs.10 each fully paid-up in October 2003 and June 2004 respectively to Olympus BPO Holdings Ltd. and Intel Capital Corporation (investors) for an aggregate consideration of Rs. 9,100.99 lakhs (equivalent to US$ 20 million). These Preference shares are to be mandatorily converted/redeemed into such number of equity shares latest by June 2007 based on certain provisions in the agreement entered with the investors relating to revenues and profits earned up to March 31, 2006. The said preference shares, if not converted or early converted at the option of the investors based on certain triggering events, are redeemable on maturity in June 2007 at a redemption premium, which could range in between 7.5% to 13.5% p.a.

e) Share application money pending allotment

Amount received from associates of Satyam Computer Services on exercise of stock options, pending allotment of shares is shown as share application money pending allotment.

f) Secured Loans

Working capital loans taken by joint venture companies are secured by way of first charge by hypothecation of all moveable assets forming part of their current assets, both present and future.

Export Packing Credit loan taken by Nipuna Services is secured by way of hypothecation of book debts.

Vehicles are hypothecated to the Banks/Financial Institutions as security for the amounts borrowed.

g) Land

Satyam Computer Services has entered an agreement of sale to acquire land measuring 5.04 acres at Madhapur, Hyderabad with AP Industrial Infrastructure Corporation Limited. As per the agreement, Satyam Computer Services has paid Rs. 264.02 lakhs towards purchase of the land and the same has been disclosed as Freehold Land. On satisfaction of certain terms and conditions laid down in the agreement, the deed of conveyance shall be executed in favor of Satyam Computer Services after payment of differential stamp duty, if any. Non-compliance of certain terms and conditions would attract withdrawal of rebate, which may increase the cost of land.

In August 2004, Nipuna Services has entered an agreement of sale to acquire land measuring 14.93 acres at Madhapur, Hyderabad with AP Industrial Infrastructure Corporation Limited. As per the agreement, Nipuna Services Limited has fully paid 541.06 lakhs towards development charges and stamp duty of Rs. 55.99 lakhs towards purchase of the land and the same has been disclosed as freehold land. Non-compliance of certain terms and conditions would attract withdrawal of rebate, which may increase the cost of land.

h) Balances with Non-Scheduled Banks

Rs. in lakhs

Name of the Bank	Balance as at March 31, 2005	2004
Balances with Non-Scheduled Banks on Current Accounts		
ANZ Grindlays Bank, New York	0.09	1.41
Banque National De Paris, Spain	103.54	44.61
Banque National De Paris, Taipei	115.40	32.36
BankOne, Canada	0.91	2.61
BankOne, Michigan	31.93	29.00
Citibank NA, Bangkok	780.24	179.28
Citibank NA, Chicago	3.74	3.81
Citibank NA, Dubai	175.13	40.68
Citibank NA, Hong Kong	12.27	6.38
Citibank NA, Kuala Lumpur	63.47	138.46
Citibank NA, London	274.62	73.26
Citibank NA, New York	803.21	159.29
Citibank NA, Seoul	523.08	254.29
Citibank NA, Singapore	254.35	30.16
Citibank NA, Sydney	790.44	187.16
Citibank NA, Toronto	131.69	199.97
Commerce Bank, New York	0.23	0.23
Dresdner Bank, Saarbruecken	183.11	19.85
First Union National Bank, Atlanta	115.76	202.16
First Union National Bank, New Jersey	357.50	51.67
Hong Kong and Shanghai Banking Corporation, London	1,700.25	887.09
Hong Kong and Shanghai Banking Corporation, Shanghai	82.09	68.11
Hong Kong and Shanghai Banking Corporation, Tokyo	712.60	370.36
KBC Bank N V, Brussels	133.89	54.70
Mitsui Sumitomo Bank, Tokyo	25.58	7.72
Pudong Development Bank, Shanghai	0.80	0.22
United Bank, Vienna	1,686.42	137.94
Woori Bank, Korea	29.76	—
HUB — Citi Bank	13.67	—
UBS — Switzerland	99.16	—
Unicredit Banca , Italy	30.05	—
	9,234.98	**3,182.78**
Balances held on Deposit Accounts	—	—
Bank of China, Shanghai	—	0.47
Lloyds TSB, Basingstoke	—	92.26
	—	**92.73**

i) Segment Reporting

Satyam has adopted AS 17, "Segment Reporting" issued by the Institute of Chartered Accountants of India, which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on stand-alone revenues and net income for the companies in Satyam Computer Services. Satyam evaluates operating segments based on the following three-business groups:

- IT Services, providing a comprehensive range of services, including software development, packaged software integration, system maintenance and engineering design services. Satyam Computer Services provides its customers the ability to meet all of their information technology needs from one service provider. Satyam Computer Services' eBusiness services include designing, developing integrating and maintaining Internet-based applications, such as eCommerce websites, and implementing packaged software applications, such as customer or supply chain management software applications. Satyam Computer Services also assists its customers in making their existing computing systems accessible over the Internet.

- BPO, providing Business Process Outsourcing services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

- Software Products, product development and creation of propriety software.

Satyam's operating segment information for the year ended March 31, 2005 and 2004 are as follows:

Business Segment

Rs. in lakhs

	Year ended March 31, 2005				
Description	**IT Services**	**BPO**	**Software Products**	**Elimination**	**Consolidated Total**
Revenue					
Sales to external customers	348,988.14	3,096.77	—	—	352,084.91
Inter Segment Sales	2,083.20	1,363.43	—	(3,446.63)	—
Total Revenue	**351,071.34**	**4,460.20**	**—**	**(3,446.63)**	**352,084.91**
Segment result — Profit/(Loss)	78,991.84	(3,718.45)	—	—	75,273.39
Interest expense	86.85	4.34	—	—	91.19
Other income	8,691.04	(7.81)	—	—	8,683.23
Income taxes	11,755.73	0.35	—	—	11,756.08
Profit/(Loss)from ordinary activities	**75,840.30**	**(3,730.95)**	**—**	**—**	**72,109.35**
Share of loss in associate company	(944.86)	—	—	—	(944.86)
Profit/(Loss) after Tax and share of loss in associate company	**74,895.44**	**(3,730.95)**	**—**	**—**	**71,164.49**
Other Segment Information					
Capital Expenditure	15,478.67	3,184.19	—	—	18,662.86
Depreciation	10,575.16	754.69	—	—	11,329.85
Non-cash expenses other than depreciation	1,406.85	4.44	—	—	1,411.29

Rs. in lakhs

Description	IT Services	BPO	Software Products	Elimination	Consolidated Total
	Year ended March 31, 2004				
Revenue					
Sales to external customers	255,436.38	588.61	24.20	—	256,049.19
Inter Segment Sales	165.97	503.68	34.08	(703.73)	—
Total Revenue	**255,602.35**	**1,092.29**	**58.28**	**(703.73)**	**256,049.19**
Segment result — Profit/(Loss)	57,859.24	(1,927.24)	(80.63)	—	55,851.37
Interest expense	98.28	3.88	—	—	102.16
Other income	7,510.29	18.16	(21.13)	—	7,507.32
Income taxes	10,625.10	0.84	—	—	10,625.94
Profit/(Loss) from ordinary activities	**54,646.15**	**(1,913.80)**	**(101.76)**	**—**	**52,630.59**
Share of loss in associate company	(1,292.02)	—	—	—	(1,292.02)
Profit/(Loss) after Tax and share of loss in associate company	**53,354.13**	**(1,913.80)**	**(101.76)**	**—**	**51,338.57**
Other Segment Information					
Capital Expenditure	7,272.15	1,115.92	—	—	8,388.07
Depreciation	11,293.98	177.84	30.20	—	11,502.02
Non-cash expenses other than depreciation	1,805.15	—	116.98	—	1,922.13

Particulars of Segment Assets and Liabilities

Rs. in lakhs

Description	IT Services	BPO	Software Products	Elimination	Consolidated Total
	As at March 31, 2005				
Segment Assets	181,455.59	5,534.04	15.10	(3,288.91)	183,715.82
Investments	18,452.02	0.10	—	(10,820.71)	7,631.41
Bank Deposits	180,587.79	35.98	—	—	180,623.77
Other Assets	3,517.72	—	—	—	3,517.72
Total Assets	**384,013.12**	**5,570.12**	**15.10**	**(14,109.62)**	**375,488.72**
Segment Liabilities	39,204.15	1,729.52	3,478.70	(5,291.63)	39,120.74
Other Liabilities	5,774.03	781.69	—	—	6,555.72
Total Liabilities	**44,978.18**	**2,511.21**	**3,478.70**	**(5,291.63)**	**45,676.46**

Rs. in lakhs

Description	IT Services	BPO	Software Products	Elimination	Consolidated Total
	As at March 31, 2004				
Segment Assets	137,439.00	2,696.75	15.17	(6,357.05)	133,793.87
Investments	19,255.87	1,211.90	—	(10,820.71)	9,647.06
Bank Deposits	147,107.83	27.85	—	—	147,135.68
Other Assets	9,676.64	—	—	—	9,676.64
Total Assets	**313,479.34**	**3,936.50**	**15.17**	**(17,177.76)**	**300,253.25**
Segment Liabilities	32,739.36	457.76	3,478.70	(6,357.05)	30,318.77
Other Liabilities	4,533.90	31.70	—	—	4,565.60
Total Liabilities	**37,273.26**	**489.46**	**3,478.70**	**(6,357.05)**	**34,884.37**

Geographic Segment

Revenue attributable to location of customers is as follows:

Rs. in lakhs

Geographic location	Year ended March 31, 2005	2004
North America	239,933.30	187,689.01
Europe	57,667.18	35,186.33
Japan	6,096.56	4,997.17
India	13,389.44	7,213.56
Rest of the World	34,998.43	20,963.12
Total	**352,084.91**	**256,049.19**

Segment assets based on their location are as follows:

Rs. in lakhs

	Segment Assets As at March 31,		Addition to fixed assets Year ended March 31,	
Geographic location	2005	2004	2005	2004
North America	91,857.63	71,496.33	381.25	321.73
Europe	15,127.29	13,095.39	125.30	28.00
Japan	2,239.06	1,628.85	179.59	5.23
India	56,709.67	38,443.82	17,410.23	7,481.82
Rest of the World	17,782.17	9,129.48	566.49	551.29
Total	**183,715.82**	**133,793.87**	**18,662.86**	**8,388.07**

j) Related Party Transactions:

Satyam had transactions with the following related parties:

Associates: Sify Limited

Whole-time Directors and Key Management Personnel: B. Ramalinga Raju, B. Rama Raju, Abraham Joseph, A.S. Murthy, Mohan Eddy, G.B.Prabhat, K.Kalyan Rao, Ram Mynampati, Thiagarajan.K (partly employed), D. Subramaniam, V. Srinivas, G. Jayaraman, Shailesh Shah, Vijay Prasad Boddupalli, Manish Sukhlal Mehta, Dr.Keshab Panda, Virender Aggarwal, T R Anand, Ravi Shankar Bommakanti, Prakash Challa, M Satyanarayana and Sandeep Madan.

Summary of the transactions and balances with the above related parties is as follows:

Transactions with Associates:

Rs. in lakhs

	Year ended March 31, 2005	2004
Outsourcing	967.33	635.97
Fixed Assets	10.72	40.07
Other Services	133.87	14.34

Balances with Associates:

Rs. in lakhs

	As at March 31, 2005	As at March 31, 2004
Accounts Receivable	—	15.91
Payables	258.64	201.84
Investments	7,631.25	8,435.10
Advances	0.75	74.31

Transactions with Whole-time Directors and Key Managerial Personnel

Rs. in lakhs

	Year ended March 31 2005	Year ended March 31 2004
Remuneration to Whole-time Directors	90.37	93.06
Remuneration to Key Managerial Personnel	1,906.79	824.41
Advances to Key Managerial Personnel	224.73	—

Balances due to / from Directors and Key Managerial Personnel

Rs. in lakhs

	As at March 31, 2005	As at March 31, 2004
Remuneration payable to Whole-time Directors	21.48	22.10
Remuneration payable to Key Managerial Personnel	130.70	11.99
Advances due from Key Managerial Personnel	74.48	12.48

Maximum indebtedness from Key Managerial Personnel during the year was Rs. 204.26 lakhs (2004 — Rs.12.48 lakhs).

Options granted and outstanding to the Key Managerial Personnel 3,711,766 {includes 618,432 options granted under ASOP — ADS} (2004 — 1,886,567 {includes 406,700 options granted under ASOP — ADS}).

k) Obligation on long term non-cancelable operating leases

Satyam Computer Services has entered into operating lease agreements for its development centres at offshore, onsite and offsites ranging for a period of 3 to 10 years. The lease rentals charged during the year and maximum obligations on long-term non-cancelable operating leases payable as per the rentals stated in respective agreements are as follows:

Rs. in lakhs

	Year ended March 31, 2005	Year ended March 31, 2004
Lease rentals (Refer Schedule 16)	5,629.83	4,229.43

	As at March 31, 2005	As at March 31, 2004
Obligations on non-cancelable leases		
Not later than one year	1,897.78	814.68
Later than one year and not later than five years	2,797.77	2,217.97
Later than five years	255.85	376.51
Total	**4,951.40**	**3,409.16**

l) Earnings Per Share

Calculation of EPS (Basic and Diluted):

S. No.	Particulars	Year ended March 31, 2005	2004
Basic			
1.	Opening no. of shares	316,251,710	314,542,800
2.	Total Shares outstanding	317,751,639	315,080,584
3.	Profit after Taxation and share of loss in associate companies (Rs. in lakhs)	71,164.49	51,338.57
4.	EPS (Rs.)	22.40	16.29
Diluted			
5.	Stock options outstanding	6,694,137	5,052,952
6.	Total shares outstanding (including dilution)	324,445,776	320,133,536
7.	EPS (Rs.)	21.93	16.04

m) The aggregate amounts of the assets, liabilities, income and expenses related to Satyam's share in joint venture companies that are consolidated and included in these financial statements are as follows:

Rs. in lakhs

Description	Year ended March 31, 2005	2004
Income from Sales and Services	2,885.47	2,294.56
Other Income	2.71	45.56
Total	**2,888.18**	**2,340.12**
Personnel expenses	1,455.29	1,469.17
Other expenses	883.61	994.10
Interest	10.93	23.39
Depreciation	100.74	177.00
Total	**2,450.57**	**2,663.66**
Net Profit	**437.61**	**(323.54)**

Rs. in lakhs

Description	Year ended March 31, 2005	2004
Secured Loans	123.81	58.64
Fixed Assets	343.62	202.37
Inventories	18.53	48.78
Sundry Debtors	1,142.26	1,045.96
Cash and Bank Balances	193.49	161.37
Loans and Advances	470.59	308.46
Current Liabilities	601.97	709.91
Provisions	110.34	29.01

n) Commitments and Contingencies

i) Nipuna Services issued 45,669,999 and 45,340,000 0.05% Convertible Redeemable Cumulative Preference Shares of par value Rs.10 each fully paid-up in October 2003 and June 2004 respectively to Olympus BPO Holdings Ltd. and Intel Capital Corporation (investors) for an aggregate consideration of Rs. 9,100.99 lakhs (equivalent to US$ 20 million). These Preference shares are to be mandatorily converted/redeemed into such number of equity shares latest by June 2007 based on certain provisions in the agreement entered with the investors relating to revenues and profits earned up to March 31, 2006. The said preference shares, if not converted or early converted at the option of the investors based on certain triggering events, are redeemable on maturity in June 2007 at a redemption premium, which could range in between 7.5% to 13.5% p.a.

Satyam Computer Services has guaranteed payment of all sums payable by Nipuna Services to the investors on redemption of the said Preference Shares. Further Satyam Computer Services is required to subscribe to Convertible Debentures amounting to US$ 20 million based on certain provisions in the agreement. These Convertible Debentures shall bear an interest rate equal to the prime lending rate of the State Bank of India prevailing at that time and are convertible upon the election of Nipuna Services into Ordinary Shares at any time after issuance.

ii) Bank Guarantees outstanding Rs. 3,620.39 lakhs (2004 — Rs. 2,363.09 lakhs).

iii) Contracts pending execution on capital accounts, net of advances, Rs. 3,874.31 lakhs (2004 — Rs. 1,915.63 lakhs).

iv) Forward Contracts outstanding Rs. 131,726.16 lakhs (Equivalent US$ 301.50 millions) {2004 — Rs. 19,580.00 lakhs (Equivalent US$ 44.50 millions)}. Gain/(Loss) on foreign exchange forward contracts which are included under the head gain/(loss) on exchange fluctuation in the profit and loss account amounted to Rs. 65.29 lakhs) (2004 — Rs. 1,235.35 lakhs).

v) Arrears on 0.05% Convertible Redeemable Cumulative Preference Shares amounting to Rs. 5.12 lakhs (2004 — Rs. 1.05 lakhs).

o) Subsequent event:

On April 21, 2005, the Board of Directors of Satyam Computer Services approved the proposed acquisition of Citisoft Plc (UK), a business and systems consulting services company. Satyam Computer Services will acquire 100% of the fully diluted share capital of Citisoft Plc. for a total maximum purchase consideration of £20.5 million in all cash transaction. Satyam Computer Services will initially acquire approximately 75% of Citisoft and the balance in 2 equal tranches. The purchase consideration would comprise an initial consideration, deferred consideration and contingent consideration based on earnings. The transaction is expected to be consummated by end of April 2005 and is subject to various regulatory approvals.

p) Dividends remitted in foreign currency

Satyam Computer Services does not make any direct remittances of dividends in foreign currency. Satyam Computer Services remits equivalent of the dividend payable to the holders of ADS in Indian Rupees to the depository bank, which is the registered shareholder on records for all owners of the Satyam Computer Services ADS. The depository bank purchases the foreign currencies and remits dividend to the ADS holders. Satyam Computer Services remitted Rs.1,618.63 lakhs during the year (2004 — Rs. 1,134.08 lakhs).

q) Reclassification

Figures for the corresponding year have been regrouped, recasted and rearranged to conform to those of the current year wherever necessary.

Exhibit 99.7

Satyam
What Business Demands.

Satyam's Acquisition of Citisoft

- ***Accelerates the pace for industry-wide transformation by targeting $1 Billion in operational efficiencies for the Global Investment Management Industry***

- ***Firmly positions Satyam as a significant global player in business and technology consulting services arena for the Investment Management Industry***

Hyderabad (India), April 21, 2005: **Satyam Computer Services Limited** (NYSE: SAY), today announced the strategic acquisition of **Citisoft** , a highly specialized business and systems consulting firm that has focused exclusively on the Investment Management industry since 1986. With multi-national operating presence in London, Boston and New York, Citisoft has built an enviable reputation as a specialist investment management consulting firm with one of the largest concentration of business consulting expertise in the world. The consideration for the acquisition consists of a guaranteed payment of $23.2m payable over a 3-year period and an additional performance based payment of up to $15.5m, to be paid over a 3-year period.

Satyam is a Rs. 3521 crore global IT solutions provider with operations in 46 countries and over 20,000 employees, offering to the global market a comprehensive range of technology services ranging from application development and maintenance services to managed infrastructure services. Citisoft will operate as a subsidiary of Satyam and be a part of Satyam's Financial Services Group (FSG) which has made significant progress and has been at the forefront of business transformation initiatives over the past two years across the entire value chain in the Securities and Capital Markets Industry ranging from the leading buy-side firms, sell-side firms, stock exchanges, settlement and clearing firms and market data and research firms. A few of FSG's strategic clients were instrumental in introducing Citisoft to Satyam and recommending a strategic relationship between the two organizations with the clear anticipation that they would significantly benefit from the resulting synergy.

In the gamut of the Securities Industry, which had a total IT services spend of $71bn (according to Tower Group) world wide in 2004, approx 10% of this (=$7bn) comes from the Investment Management segment of the Industry which is a $35 Trillion market in itself. Reversing an earlier trend, technology spend in the Investment Management Industry is now beginning to outpace the rest of the Industry and is expected to maintain that momentum over the next four years. Industry trends in this sector are compelling a significant number of firms to outsource and thus increase operational efficiencies from their front to back office operations. Equally important has been the growing need for utilizing technology as an enabler for driving business transformation within this industry. Given the explicit need for very high levels of maturity in understanding this niche and complex market segment, prior to this acquisition, there was no single service provider that could meet the end-to-end business and technology needs of this industry.

"The acquisition is destined to enable Satyam to build a unique position and global footprint in the Financial Services sector and, we believe, the power of the brand, network and market experience will create precisely the mix we need. Both the companies share tremendous synergies in corporate values and client focus which will serve as a further springboard for enhancing our focus in business transformation", commented **Mr. B Ramalinga Raju, Founder & Chairman – Satyam** .

Commenting on the strategic acquisition **Mr. Ram Mynampati, President, Commercial and Healthcare Businesses of Satyam** said, *"Our accelerated growth and prestigious client base within the securities industry demonstrate our ongoing commitment to enable industry-wide transformation in that Industry. With Citisoft's world-class expertise and our global delivery capabilities, we are now in a position to effectively deliver a comprehensive and qualitative suite of solutions that will enable us to target for $1 Billion in cost savings through driving operational efficiencies over a five year period for this Industry."*

Jonathan Clark, Founder and Executive Director of CITISOFT commented, *"Our 1000 man years of deep investment management domain expertise, combined with the breadth and scale of Satyam's truly global technology integration capabilities, makes this a truly landmark deal for the global securities industry and for our enhanced client base. We can now offer an unrivalled value proposition that covers everything from full-scale business transformation to back-office support at a great value. We are excited about becoming an integral part of Satyam and playing a key role in the industry's evolution and establishing Satyam as a market leader in this industry. The successful closure of this acquisition represents new and exciting opportunities for our clients, our employees as well as for the future of the Industry."*

Steve Buckridge, Chief Development Officer for Investment Banking and Asset Management, Bear Stearns & Co, said, " *We have a very important partnership with Satyam and we greatly value the technology expertise that they bring to the table. We have high regards for the strong domain skills that CITISOFT has provided to Bear Stearns Asset Management and hence as a common client for both organizations, we introduced the two organizations to each other as we see immense value in the combined synergy that the two organizations will provide to leading global asset management firms like Bear Stearns. We look forward to taking advantage of this synergistic and integrated value proposition to accelerate Bear Stearns Asset Management's speed to market* ".

About Satyam:
Satyam Computer Services Ltd. (NYSE: SAY) is a global IT consulting services provider, offering a range of expertise aimed at helping customers re-engineer and re-invent their businesses to compete successfully in an ever-changing marketplace. Over 20,000 highly-skilled professionals in Satyam work onsite, offsite, offshore and near shore, to provide customized IT solutions for companies in several industry sectors. Satyam's ideas and products have resulted in technology-intensive transformations that have met the most stringent of international quality standards. Satyam Development Centers in India, the USA, the UK, the UAE, Canada, Hungary, Malaysia, Singapore, China, Japan and Australia serve over 370 global companies, of which 144 are Fortune Global 500 and Fortune US 500 corporations. Satyam's presence spans 46 countries, across six continents. For more information visit us at: www.satyam.com

About Citisoft
Citisoft is a specialist consulting firm that focuses solely on investment management. With a client base of more than 75% of the top 50 global asset managers, Citisoft is the foremost supplier of strategic planning and business consulting services to the institutional and private wealth investment management sector.

Established in 1986, Citisoft has the largest pool of investment management expertise of any consulting firm. Citisoft combines analysis, planning and project management methodologies with expert knowledge of asset management business models, processes and technology.

Citisoft has a high degree of specialization in areas including straight-through processing, client reporting, performance measurement, decision support, order management, trade execution and outsourcing administration and custody. Sena also has a division that is dedicated to providing consulting services for transfer agency. For more information please visit us at: www.citisoft.com

Langham Capital were the financial advisors to Satyam on this transaction.

For clarifications write to us at Corporate_Communications@Satyam.com

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Safe Harbor:
This press release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements.

For a discussion of the risks associated with our business, please see the discussions under the heading "Risk Factors" in our report on Form 6K concerning the fiscal quarter ended December 31, 2004 furnished to the United States Securities Exchange Commission on February 14, 2005 and the other reports filed with the Securities Exchange Commission from time to time. These filings are available at www.sec.gov

PRESS RELEASE DATED 21 JANUARY 2008 WITH RESPECT TO THE QUARTER ENDED 31 DECEMBER 2007

Satyam
What Business Demands.

Satyam Posts 32% Year-over-Year Revenue Growth; Revises Guidance Upwards

FY2008 Revenue Now Estimated at $2.1 Billion

HYDERABAD, India, Jan. 21, 2008—Satyam Computer Services Ltd. (NYSE:SAY), a leading business and information technology services provider, today announced the results of the company for the quarter ended December 31, 2007 (Q3).

Consolidated Indian GAAP Highlights

- Revenue was Rs. 2195.56 crore; a year-over-year increase of 32.2% and a sequential increase of 8.1%.
- Volume growth for the quarter was 9.4%.
- Net Profit after Tax was Rs. 433.63 crore; a year-over-year increase of 28.6% and a sequential increase of 6%.
- EPS was Rs. 6.48; a Year-over-year increase of 26.1% and a sequential increase of 5.9%.
- EBITDA margin for the quarter was 21.46%.

US GAAP Highlights

- Revenue was US$ 562.9 million; up 49.9% year-over-year and 10.5%, sequentially.
- Net Income was US$109.7 million; a year-over-year increase of 54.3% and a sequential increase of 7.7%.
- Basic earning per ADS for the quarter was US$0.33, an increase of 50% year-over-year and 6.5% sequentially.
- Operating margin (EBIT) was 19.04%.

"We enjoyed a strong third quarter. Several key strategies to enhance our portfolio of capabilities and solidify our position as a leading provider of integrated, end-to-end business transformation services are bearing fruit," **said B. Ramalinga Raju, Satyam's founder and chairman.**

Other Highlights

- The company ended the quarter with 44,847 associates, an addition of 3,424. Total employees including subsidiaries and joint ventures, is 49,199.
- Attrition, on a trailing-12-month basis, fell to 13.1% from 13.9% in Q3.

"The highlight of the quarter was the continued improvement in all operating parameters, which helped us post better than guided performance," **said Satyam Chief Financial Officer Srinivas Vadlamani**. *"Increased productivity, resulting from higher utilization, increased billing rates and offshore shift led to 164 bps improvements in margin." said*

Business Outlook

- For FY08, under US GAAP, revenue is expected to be between US$ 2119.2 million and US$ 2122.1 million, implying a growth rate of 45.0% to 45.2% over FY07. Basic earnings per ADS for FY08 is expected to be US$1.27, implying a growth rate of 39.6% over FY07.
- Corresponding revenue growth under Indian GAAP consolidated is expected to be between 29.0% and 29.2%. EPS for the full year is expected to be Rs. 25.50, implying a growth rate of 18.90%.

- For Q4 FY08, under US GAAP, revenue is expected to be between US$ 594.4 million and US$597.3 million, implying a growth rate of 5.6% to 6.1%. Basic earning per ADS for the quarter is expected to be US$ 0.36.
- For Q4 FY08, under Indian GAAP consolidated, corresponding revenue growth rate is expected to be between 5.3% and 5.8%; EPS for the quarter is expected to be Rs. 7.23.

Key Business Achievements
Satyam added 32 new customers in the quarter, including eight Fortune 500 corporations.

"Other third quarter highlights included revenue growth across all verticals, complemented by similar performances in our service offerings and regions," **Raju said**. *"Our Retail, Travel, and Logistics Practice, specifically, turned in a superior performance, growing by 35 percent. Results such as these demonstrate that our strategy to provide the full range of services, quickly, effectively, and through the most advanced delivery models is working well, and our customers notice the difference."*

Some prominent customer additions included **FIFA, Federation Internationale de Football Association**, a German IT services provider and a subsidiary of one of the world's largest media and entertainment conglomerates and the organization responsible for public transportation in Greater London.

The world's largest steel manufacturer engaged Satyam to enhance its Total Cost Optimization program. The team analyzed its global plants to reduce expenditures, enhance knowledge management, and capture best practices across plants and geographies.

Satyam is helping **a Tier 1 global investment bank implement** a new application architecture to accommodate its front and back-office and data management needs. The multi-site,multi-year transformational program will begin in Asia and Europe before moving to the US. Satyam is also a preferred supplier for all of the organization's business lines.

A global oil company engaged Satyam to develop a logistics solution, facilitate on-boarding solution for offshore-drillingplatform personnel, and deliver IT services for its Global Gas Division.

A healthcare technologies manufacturer and services provider hired Satyam for a critical value-engineering and product design project. Satyam is providing mechanical, electrical, safety, and reliability design services to transform the client's business.

A global manufacturer of pharmaceutical, diagnostic, therapeutic, surgical, and biotechnology products engaged Satyam to migrate an entire website into its private framework.

Satyam signed an agreement to help the organization responsible for most aspects of Greater London's public transport system with a broad range of IT services. Satyam is helping a German IT services company provide IT solutions to its parent company, a global media conglomerate, and to external customers.

Satyam is providing an end-to-end solution for the **world's largest international multimedia news agency.**

Satyam BPO
In Q3, Nipuna changed its name to Satyam BPO Services. The organization posted revenues of US$15.3 million, and a net loss of US$2.4 million. The revenue guidance for FY08 is US$ 61 million, which represents growth of 60% over the previous year.

In Q3, Satyam BPO signed two new customers. The organization also won the prestigious and internationally recognized Golden Peacock National Training Award for 2007, making it the first

Indian BPO company so honored. The award emphasizes “the five Ts,” total quality, transparency, trust, truthfulness, and training. Satyam BPO was selected from 186 entries, a testament to the organization’s associate and leadership development, and its commitment to growing leaders faster than the competition.

Key Q3 Awards and Recognitions

Satyam’s B. Ramalinga Raju Named E&Y Entrepreneur of the Year
Satyam’s Chairman B. Ramalinga Raju was awarded the Ernst & Young Entrepreneur of the Year Award for India. He was honored for both his business acumen and his efforts to enhance the community.

***Satyam the Official IT Services Provider to* The World Cup**
Satyam has been selected as the official IT Services Provider to the world’s largest sporting event –the FIFA World Cup—in 2010 (South Africa) and 2014 (Brazil).

Satyam Honored for ‘Strengthening Customer Relationships’
The IT Services Marketing Association named Satyam’s Customer Intimacy Marketing and Communication Program the winner of its “Strengthening Customer Relationships” category. The four-pronged approach—business, technology, industry, and culture—beat out other finalists from our peer group.

Satyam Is Indian MAKE Award Winner
Satyam was named one of India’s “Most Admired Knowledge Enterprises,” and was presented an award for this accomplishment by Shri Kapal Sibal, the country’s minister for science and technology.

Satyam Wins Asian Corporate Social Responsibility Award
Satyam was honored in the Poverty Alleviation category for its GramIT (Rural BPO) program, a key initiative of the Byrraju Foundation, a non-government organization founded by Satyam Chairman and Founder B. Ramalinga Raju. The Byrraju Foundation is dedicated to rural transformation and has dramatically enhanced the quality of life of more than 2 million people in 180 villages in India’s Andhra Pradesh state by providing healthcare, education, livelihoods, sanitation, and drinking water.

Black Book of Outsourcing Vendors Ranks Satyam IMS 13th in World
Satyam’s Infrastructure Management Practice secured 13th position among the Global Top 20 service providers in the “Black Book of Outsourcing Vendors.” Satyam ranked third for brand image and marketing communication efforts and first for infrastructure applications monitoring parameters.

Satyam Wins Pegasystems Partner Innovation Award for 2007
Satyam won the Pegasystems Partner Innovation Award for helping the organization’s clients—financial institutions—comply with Anti-Money Laundering (AML) statutes. The solution helps companies fight fraud and financial crime, and remain compliant with increasingly stringent BSA/AML/KYC regulations.

NASSCOM ‘Shortlists’ Satyam’s Business and Delivery Model
Satyam’s business and delivery model for high-end services made the short list of candidates for NASSCOM’s IT Innovation Award in 2007. The category was process innovation.

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About Satyam
Satyam (NYSE: SAY), a leading global business and information technology services company, delivers consulting, systems integration, and outsourcing solutions to clients in 20* industries and 61* countries.

Satyam leverages deep industry and functional expertise, leading technology practices, and an advanced, global delivery model to help clients transform their highest-value business processes and improve their business performance. The company's 49,199* professionals excel in engineering and product development, supply chain management, client relationship management, business process quality, business intelligence, enterprise integration, and infrastructure management, among other key capabilities.

Satyam development and delivery centers in the US, Canada, Brazil, the UK, Hungary, Egypt, UAE, India, China, Malaysia, Singapore, and Australia serve 630* clients, including more than one third of the Fortune 500. For more information, see www.satyam.com.

**As of Dec. 31, 2007*

Satyam Contacts

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Or contact our global PR representatives at:

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Safe Harbor

This press release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements. For a discussion of the risks associated with our business, please see the discussions under the heading "Risk Factors" in our report on Form 6-K concerning the quarter ended September 30, 2007, furnished to the United States Securities Exchange Commission on October 31, 2007 and the other reports filed with the Securities Exchange Commission from time to time. These filings are available at http://www.sec.gov.

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This announcement is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from Satyam and that will contain detailed information about Satyam and its management, as well as financial statements.

# # #

Enclosed is the financial results of Satyam for the third quarter ended December 31st , 2007.

Satyam

What Business Demands.

Satyam Computer Services Limited

Regd. office: I Floor, Mayfair Centre, 1-8-303/36, S.P.Road, Secunderabad - 500 003.

Highlights for Q3 - 2008

Business Outlook

1. For fiscal 2008, under US GAAP, revenue is expected to be between US$ 2,119 mn and US$ 2,122 mn, implying a growth rate of 45% to 45.2% over fiscal 2007. Basic earning per ADS for fiscal 2008 is expected to be US$ 1.27 implying a growth rate of 39.6 % over fiscal 2007.

2. Corresponding revenue growth under Indian GAAP consolidated is expected to be between 29 % and 29.2 %. EPS for the full year is expected to be Rs.25.5, implying a growth rate of 18.9 %.

3. For Q4 FY 2008, under US GAAP, revenue is expected to be between US$ 594 mn and US$ 597 mn, implying a growth rate of 5.6 % to 6.1 %. Basic earning per ADS for the quarter is expected to be US$ 0.36.

4. For Q4 FY 2008, under Indian GAAP consolidated, corresponding revenue growth rate is expected to be between 5.3 % and 5.8 %; EPS for the Quarter is expected to be Rs.7.23.

Consolidated Indian GAAP Highlights

The highlights of the results for the quarter under Indian GAAP Consolidated basis are:

1. Revenue was Rs. 2,195.6 crore; a YoY increase of 32.2% and a sequential increase of 8.1%.
2. Volume growth for the quarter was 9.4 %.
3. Net Profit after Tax was Rs. 433.63 crore; a YoY increase of 28.6% and a sequential increase of 6%.
4. EPS was Rs. 6.48; a YoY increase of 26.1% and a sequential increase of 5.9%.
5. EBITDA margin for the quarter was 21.46 %.

US GAAP Highlights

The highlights of the results under US GAAP are:

1. Revenue was US$ 562.9 mn; up 49.9% YoY and 10.5% sequentially.
2. Net Income was $ 109.7 mn; YoY increase of 54.3% and a sequential increase of 7.7%.
3. Basic earning per ADS for the quarter was US$ 0.33; increase of 50 % YoY and up 6.5 % sequentially.
4. Operating margins (EBIT) was 19.04 %.

Others

1. The parent company ended the quarter with 44,847 associates, an addition of 3,424 associates including 2,128 trainees. The number of associates including the subsidiaries and joint ventures stood at 49,199.
2. Attrition on a trailing twelve months basis fell to 13.1 % from 13.9 % in Q3 FY08.
3. 32 customers added including 8 Fortune 500 companies.

Consolidated financial results as per Indian GAAP

Rs. in crores except as stated otherwise

Sl. No.	Particulars	Quarter ended December 31, (unaudited) 2007	Quarter ended December 31, (unaudited) 2006	Growth over quarter ended December 31, 2006 (%)	Quarter ended September 30, (unaudited) 2007	Growth over quarter ended September 30, 2007 (%)	Nine months ended December 31, (unaudited) 2007	Nine months ended December 31, (unaudited) 2006	Growth over nine months ended December 31, 2006 (%)	Year ended March 31, (audited) 2007
1	Income from services									
	-Exports	2,128.16	1,585.20	34.25	1,965.19	8.29	5,870.29	4,487.11	30.83	6,188.12
	-Domestic	67.40	75.92	(11.22)	66.53	1.31	187.18	218.82	(14.46)	296.96
	Total	**2,195.56**	**1,661.12**	**32.17**	**2,031.72**	**8.06**	**6,057.47**	**4,705.93**	**28.72**	**6,485.08**
2	Other income	70.49	10.17	593.12	110.54	(36.23)	244.23	112.88	116.36	183.28
3	**Total income**	**2,266.05**	**1,671.29**	**35.59**	**2,142.26**	**5.78**	**6,301.70**	**4,818.81**	**30.77**	**6,668.36**
4	Personnel expenses	1,380.64	967.35	42.72	1,302.75	5.98	3,789.57	2,781.67	36.23	3,857.93
5	Cost of software and hardware sold	0.68	0.74	(8.11)	0.68	0.00	1.61	1.77	(9.04)	2.27
6	Operating and administration expenses	343.05	283.04	21.20	325.59	5.36	982.11	795.00	23.54	1,087.17
7	Total expenditure	1,724.37	1,251.13	37.83	1,629.02	5.85	4,773.29	3,578.44	33.39	4,947.37
8	**Profit before interest, depreciation/amortization and taxation (PBIDT)**	**541.68**	**420.16**	**28.92**	**513.24**	**5.54**	**1,528.41**	**1,240.37**	**23.22**	**1,720.99**
9	PBIDT margin	23.90%	25.14%	-	23.96%	-	24.25%	25.74%	-	25.81%
10	**Operating Profit (PBIDT without other income)**	**471.19**	**409.99**	**14.93**	**402.70**	**17.01**	**1,284.18**	**1,127.49**	**13.90**	**1,537.71**
11	Operating profit margin	21.46%	24.68%	-	19.82%	-	21.20%	23.96%	-	23.71%
12	Financial expenses	8.12	3.23	151.39	4.18	94.26	15.62	8.50	83.76	15.92
13	Depreciation/amortization	42.31	39.37	7.47	39.06	8.32	120.06	113.05	6.20	148.44
14	**Profit before taxation [8-(12+13)]**	**491.25**	**377.56**	**30.11**	**470.00**	**4.52**	**1,392.73**	**1,118.82**	**24.48**	**1,556.63**
15	Provision for taxation	57.62	40.33	42.87	60.91	(5.40)	171.69	107.78	59.30	152.01
16	**Profit after taxation before minority interest**	**433.63**	**337.23**	**28.59**	**409.09**	**6.00**	**1,221.04**	**1,011.04**	**20.77**	**1,404.62**
17	Minority interest	-	-	-	-	-	-	0.12	-	0.12
18	**Profit after taxation and minority interest**	**433.63**	**337.23**	**28.59**	**409.09**	**6.00**	**1,221.04**	**1,011.16**	**20.76**	**1,404.74**
19	PAT to total income	19.14%	20.18%	-	19.10%	-	19.38%	20.98%	-	21.07%
20	Paid-up equity share capital (par value of Rs.2 per share)	133.91	131.42	-	133.71	-	133.91	131.42	-	133.44
21	Reserves excluding revaluation reserves	6,803.58	5,142.83	-	6,334.97	-	6,803.58	5,142.83	-	5,565.81
22	Preference shares of Rs. 10 each issued by subsidiary company	-	91.01	-	-	-	-	91.01	-	45.50
23	EPS – basic (Rs.) (on par value of Rs. 2 per share)	6.48	5.14	26.07	6.12	5.88	18.27	15.47	18.10	21.45
24	EPS – diluted (Rs.) (on par value of Rs. 2 per share)	6.33	5.00	26.60	5.97	6.03	17.86	15.03	18.83	20.98
25	Public shareholding									
	- Number of Shares	480,492,732	467,530,929	-	479,566,889	-	480,492,732	467,530,929	-	478,313,191
	- Percentage of shareholding	71.76	71.15	-	71.74	-	71.76	71.15	-	71.69

Notes:

1. The above results have been approved by the Board of directors at its meeting held today.

2. The consolidated financial statements of Satyam Computer Services Ltd (Satyam) and its majority owned domestic and foreign subsidiaries are prepared in accordance with Accounting Standard (AS) 21 on consolidated financial statements issued by the Institute of Chartered Accountants of India. All significant intra-group balances and intra-group transactions and resulting unrealized profits have been eliminated. The financial statements also include the results of our joint ventures consolidated on proportionate consolidation method in accordance with AS 27 on Financial Reporting of Interest in Joint Ventures.

3. The results of business entities, which have been consolidated, with the results of Satyam, include subsidiaries – Satyam BPO Ltd (formerly known as Nipuna Services Ltd.), Satyam Technologies Inc., Satyam Computer Services (Shanghai) Co. Ltd., Satyam Computer Services (Nanjing) Co. Ltd., Citisoft Plc and its subsidiary and Knowledge Dynamics Pte. Ltd. and its subsidiaries. The results also include the results of our joint ventures Satyam Venture Engineering Services Pvt. Ltd. and CA Satyam ASP Pvt. Ltd., which have been accounted using proportionate consolidation method.

4. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current period

For and on behalf of the Board of directors

Place: Hyderabad
Date: January 21, 2008

B. Rama Raju
Managing Director

Consolidated financial results as per US GAAP

US$ in millions except as stated otherwise

Sl. No.	Particulars	Three months ended December 31, (unaudited)		Growth over three months ended December 31, 2006 (%)	Three months ended September 30, (unaudited)	Growth over three months ended Septembe r 30, 2007 (%)	Nine months ended December 31, (unaudited)		Growth over Nine months ended December 31, 2006 (%)	Year ended March 31, (audited)
		2007	2006		2007		2007	2006		2007
1	Revenues	$562.9	$375.6	49.87	$509.6	10.46	$1524.8	$1,050.1	45.21	$1,461.4
2	Gross profit	202.4	138.1	46.56	179.3	12.88	544.8	376.8	44.59	523.8
3	Operating income	107.2	77.6	38.14	90.3	18.71	287.6	210.6	36.56	291.6
4	Operating income margin	19.04%	20.66%	-	17.72%	-	18.86%	20.06%	-	19.95%
5	Income / (loss) before taxes, minority interest and equity in earnings / (losses) of associated companies	122.8	78.9	55.64	116.6	5.32	344.3	233.0	47.77	328.2
6	Net income	$109.7	$71.1	54.29	$101.9	7.67	$304.7	$212.1	43.66	$298.4
7	EPADS – basic (US$)	0.33	0.22	50.00	0.31	6.45	0.92	0.65	41.54	0.91
8	EPADS – diluted (US$)	0.32	0.21	52.38	0.30	6.67	0.90	0.63	42.86	0.90

Notes:

1. The above results have been approved by the Board of directors at its meeting held today.

2. The consolidated financial statements of Satyam Computer Services Ltd (Satyam) and its majority owned domestic and foreign subsidiaries are prepared in accordance with generally accepted accounting principles applicable in the United States (US GAAP). All significant inter-company balances and transactions have been eliminated.

3. The results of business entities, which have been consolidated, with the results of Satyam include subsidiaries – Satyam BPO Ltd (formerly known as Nipuna Services Ltd.), Satyam Technologies Inc., Satyam Computer Services (Shanghai) Co. Ltd., Satyam Computer Services (Nanjing) Co. Ltd., Citisoft Plc and its subsidiary and Knowledge Dynamics Pte. Ltd. and its subsidiaries. The results also include Satyam Associate Trust and the results of our associated companies Satyam Venture Engineering Services Pvt. Ltd. and CA Satyam ASP Pvt. Ltd.

4. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current period.

5. Statement showing reconciliation between net profit as per Indian GAAP and US GAAP consolidated financial statements for the quarter and nine months ended December 31, 2007 is as follows:

US$ in millions

Sl. No.	Particulars	Three months ended (unaudited)			Nine months ended (unaudited)		Year ended March 31, 2007 (audited)
		December 31, 2007	December 31, 2006	September 30, 2007	December 31, 2007	December 31, 2006	
1	**Profit as per Indian GAAP Consolidated Financial Statements**	**$110.2**	**$75.2**	**$101.3**	**$303.6**	**$222.5**	**$311.9**
2	Stock-based compensation	(0.5)	(2.8)	(0.8)	(1.8)	(9.9)	(12.0)
3	Others, net	0.0	(1.3)	1.4	3.0	(0.5)	(1.5)
4	Total adjustments (2 to 3)	(0.5)	(4.1)	0.6	1.2	(10.4)	(13.5)
5	**Net income as per US GAAP Financial Statements**	**$109.7**	**$71.1**	**$101.9**	**$304.8**	**$212.1**	**$298.4**

Satyam Computer Services Limited

Regd. Office: I Floor, Mayfair Centre, 1-8-303/36, S.P.Road, Secunderabad - 500 003.

Audited financial results for the quarter and nine months ended December 31, 2007

Rs. in crores except as stated otherwise

Sl. No.	Particulars	Quarter ended December 31,		Growth over quarter ended December 31, 2006 (%)	Quarter ended September 30,	Growth over quarter ended September 30, 2007 (%)	Nine months ended December 31,		Growth over nine months ended December 31, 2006 (%)	Year ended March 31,
		2007	2006		2007		2007	2006		2007
1	Income from services									
	-Exports	2,044.74	1,526.04	33.99	1,883.02	8.59	5,634.03	4,323.88	30.30	5,961.06
	-Domestic	65.84	68.83	(4.34)	65.22	0.95	183.87	195.56	(5.98)	267.41
	Total	**2,110.58**	**1,594.87**	**32.34**	**1,948.24**	**8.33**	**5,817.90**	**4,519.44**	**28.73**	**6,228.47**
2	Other income	68.69	9.73	605.96	108.20	(36.52)	238.74	112.24	112.70	181.61
3	**Total income**	**2,179.27**	**1,604.60**	**35.81**	**2,056.44**	**5.97**	**6,056.64**	**4,631.68**	**30.77**	**6,410.08**
4	Personnel expenses	1,326.28	929.34	42.71	1,251.05	6.01	3,636.71	2,669.96	36.21	3,706.04
5	Operating and administration expenses	315.58	256.59	22.99	295.58	6.77	898.15	727.53	23.45	993.31
6	Total expenditure	1,641.86	1,185.93	38.44	1,546.63	6.16	4,534.86	3,397.49	33.48	4,699.35
7	**Profit before interest, depreciation /amortization and taxation (PBIDT)**	**537.41**	**418.67**	**28.36**	**509.81**	**5.41**	**1,521.78**	**1,234.19**	**23.30**	**1,710.73**
8	PBIDT margin	24.66%	26.09%	-	24.79%	-	25.13%	26.65%	-	26.69%
9	**Operating profit (PBIDT without other income)**	**468.72**	**408.94**	**14.62**	**401.61**	**16.71**	**1,283.04**	**1,121.95**	**14.36**	**1,529.12**
10	Operating profit margin	22.21%	25.64%	-	20.61%	-	22.05%	24.82%	-	24.55%
11	Financial expenses	4.28	1.35	217.04	0.47	810.64	5.26	2.68	96.27	7.61
12	Depreciation/amortization	35.91	34.32	4.63	32.68	9.88	101.14	99.43	1.72	129.89
13	**Profit before taxation [7-(11+12)]**	**497.22**	**383.00**	**29.82**	**476.66**	**4.31**	**1,415.38**	**1,132.08**	**25.02**	**1,573.23**
14	Provision for taxation	56.22	39.70	41.61	59.51	(5.53)	168.09	106.35	58.05	150.00
15	**Profit after taxation (PAT)**	**441.00**	**343.30**	28.46	**417.15**	5.72	**1,247.29**	**1,025.73**	21.60	**1,423.23**
16	PAT to total income	20.24%	21.39%	-	20.29%	-	20.59%	22.15%	-	22.20%
17	Paid-up equity share capital (par value of Rs.2 per share)	133.91	131.42	-	133.71	-	133.91	131.42	-	133.44
18	Reserves excluding revaluation reserves	6,922.63	5,265.31	-	6,443.23	-	6,922.63	5,265.31	-	5,648.07
19	EPS – basic (Rs.) (on par value of Rs. 2 per share)	6.59	5.24	25.76	6.24	5.61	18.67	15.69	18.99	21.73
20	EPS – diluted (Rs.) (on par value of Rs. 2 per share)	6.44	5.09	26.52	6.09	5.75	18.24	15.24	19.69	21.25
21	Public shareholding									
	- Number of shares	480,492,732	467,530,929	-	479,566,889	-	480,492,732	467,530,929	-	478,313,191
	- Percentage of shareholding	71.76	71.15	-	71.74	-	71.76	71.15	-	71.69

Segment Reporting:

Rs in crores

1	**Segment revenue**									
	Information technology services	2,110.58	1,594.87	32.34	1,948.24	8.33	5,817.90	4,519.44	28.73	6,228.47
	Less: Inter segment revenue	-	-	-	-	-	-	-	-	-
	Net sales / Income from operations	2,110.58	1,594.87	32.34	1,948.24	8.33	5,817.90	4,519.44	28.73	6,228.47
2	**Segment profit / (loss) before tax and interest**									
	Information technology services	432.81	374.62	15.53	368.93	17.31	1,181.90	1,022.52	15.59	1,399.23
	Less : Financial expenses	4.28	1.35	217.04	0.47	810.64	5.26	2.68	96.27	7.61
	Add: Other income	68.69	9.73	605.96	108.20	(36.52)	238.74	112.24	112.70	181.61
	Total profit before tax	497.22	383.00	29.82	476.66	4.31	1,415.38	1,132.08	25.02	1,573.23
3	**Capital employed**									
	Information technology services	3,059.35	1,884.35	62.36	2,747.82	11.34	3,059.35	1,884.35	62.36	2,191.35

Notes :

1. The above results have been approved by the Board of directors at its meeting held today.

2. The total manpower strength as on December 31, 2007 stood at 44,847 Associates as against 41,423 Associates as on September 30, 2007 signifying an increase of 3,424 Associates. The number of technical Associates increased by 3,252 to close the quarter at 42,405 (39,153 Associates as on September 30, 2007).

3. During the quarter ended December 31, 2007, the Company allotted 981,443 equity shares of Rs. 2 each, consequent to exercise of stock options by the associates.

4. The Board of directors approved the proposal to list the company's American Depositary Shares (ADSs) on the European platform of the NYSE Euronext Group with Amsterdam as an entry point into the EU capital markets under the fast-path cross-listing, globally the first of its kind. Upon listing, the company's existing ADSs will trade on one single cross-border trading platform with connectivity to the European stock exchanges of Amsterdam, Brussels, Lisbon, and Paris, in addition to trading on the NYSE in the US.

5. The Board of directors approved the proposal for the acquisition of M/s Bridge Strategy Group LLC (Bridge) a US based Company specializing in providing Strategy and Management Consulting Services to various large clients in different industry segments. The maximum purchase consideration will be US$ 35 million in an all cash transaction and has been structured into three parts – an initial payment, a deferred payment and a contingent payment and upon consummation, Bridge will be a wholly owned subsidiary of the Company.

6. Details of investor complaints for the quarter ended December 31, 2007:

Nature	Pending as on October 01, 2007	During the quarter		Pending as on December 31, 2007
		Received	Disposed off	
Dividends related	1	140	141	0
Others	2	62	64	0
Total	**3***	**202**	**205**	**0**

*resolved on 05.10.2007

7. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current period.

For and on behalf of the Board of directors

Place: Hyderabad
Date: January 21, 2008

B. Rama Raju
Managing Director

Safe Harbor :

This release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements.

For a discussion of the risks associated with our business, please see the discussions under the heading "Risk Factors" in our report on Form 6-K concerning the fiscal quarter ended September 30, 2007 furnished to the United States Securities and Exchange Commission on October 31, 2007 and the other reports filed with the Securities and Exchange Commission from time to time. These filings are available at www.sec.gov.

REPORT ON FORM 6-K CONTAINING FINANCIAL INFORMATION FOR THE QUARTER ENDED 30 SEPTEMBER 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the quarter ended September 30, 2007

Commission File Number 001-15190

Satyam Computer Services Limited

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Republic of India
(Jurisdiction of incorporation or organization)

Satyam Technology Center
Bahadurpally Village
Qutbullapur Mandal,
R.R.District - 500855
Hyderabad, Andhra Pradesh
India
(91) 40-3063-3505
(Address of principal executive offices)

Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☑ Form 40-F ☐

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes ☐ No ☑

If "Yes" is marked, indicate below the file number assigned to Registrant- in connection with Rule 12g3-2(b) : Not applicable.
The Company is incorporating by reference, the information and exhibits set forth in this Form 6-K into its registration statement on Form S-8 (Registration No. 333-13772 and Registration No. 333-139949).

TABLE OF CONTENTS

Currency of Presentation and Certain Defined Terms

Unless otherwise stated in this Quarterly Report or unless the context otherwise requires, references herein to "we," "our," "us," "Satyam" and "our company" are to Satyam Computer Services Limited and its consolidated subsidiaries and other consolidated entities.

In this Quarterly Report, references to "US", "Dollars" or the "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India. References to "$," "Dollars" or "U.S. dollars" are to the legal currency of the United States and references to "Rs.," "rupees" or "Indian rupees" are to the legal currency of India. References to a particular "fiscal" year are to our fiscal year ended March 31 of such year.

For your convenience, this Quarterly Report contains translations of some Indian rupee amounts into U.S. dollars which should not be construed as a representation that those Indian rupee or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Indian rupees, as the case may be, at any particular rate, the rate stated below, or at all.

Except as otherwise stated in this Quarterly Report, all translations from Indian rupees to U.S. dollars contained in this Quarterly Report have been based on the noon buying rate in the City of New York on September 30, 2007 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on September 30, 2007 was Rs.39.75 per $1.00.

Information contained in our websites, including our corporate website, www.satyam.com, is not part of this Quarterly Report.

FORWARD-LOOKING STATEMENTS MAY PROVE INACCURATE

We have included statements in this Quarterly Report which contain words or phrases such as "may," "will, " "will likely result," "believe," "expect," "will continue," "anticipate," "estimate," "intend," "plan," "contemplate," "seek to," "future," "objective," "goal," "project," "should" and similar expressions or variations of such expressions, that are "forward-looking statements." Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy and our growth and expansion.

In addition to historical information, this Quarterly Report contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Item 2. Operating and Financial Review and Prospects — Risk Factors" and elsewhere in this Quarterly Report. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this Quarterly Report. In addition, you should carefully review the other information in this Quarterly Report and in our periodic reports and other documents filed with the United States Securities and Exchange Commission, or SEC, from time to time. Our filings with the SEC are available on its website, www.sec.gov.

In addition, other factors that could cause results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to, general economic and political conditions in India, Southeast Asia and other countries which have an impact on our business activities, changes in Indian and foreign laws, regulations and taxes, changes in competition and other factors beyond our control, including the factors described in this "Risk Factors" section.

We are not required to update any of the forward-looking statements after the date of this Quarterly Report to conform such statements to actual results or to reflect events or circumstances that occur after the date the statement is made or to account for unanticipated events.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Please see Exhibit 99.6 under Item 6 of this Form 6-K for our unaudited U.S. GAAP consolidated financial statements for the six months ended September 30, 2007.

Item 2. Operating and financial review and prospects

The following discussion of the financial condition and results of operations of our company should be read in conjunction with the financial statements and the related notes included elsewhere in this document. This discussion contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please see Risk Factors.

Overview

We are a global IT solutions provider, offering a comprehensive range of IT services to our customers, including application development and maintenance services, consulting and enterprise business solutions extended engineering solutions, infrastructure management services. We also offer business process outsourcing or BPO services through our majority-owned subsidiary, Nipuna Services Ltd or Nipuna. We are the fourth largest Indian IT software and services company, based on the amount of export revenues generated during our fiscal year ended March 31, 2007. Our total revenues for fiscal 2007 were $1,461.4 million and over the past three fiscal years our revenues have grown at a compound annual growth rate of 37.2%.

On May 12, 2005, we acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm that has focused on the investment management industry since 1986. Citisoft is a UK-based firm, with operating presences in London, Boston and New York. On June 29, 2006, we exercised the call option and acquired the remaining 25% equity interest in Citisoft, making Citisoft our wholly-owned subsidiary from that date. The operating results of Citisoft are evaluated by the management under IT services segment. On June 29, 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders. As per the amendment agreement, Satyam Computer Services is required to pay in July 2007, $3.5 million to the selling shareholders in lieu of the 2008 deferred and earn out consideration and $ 0.2 million towards Employee Benefit Trust (“EBT”) contribution in lieu of the 2008 EBT contribution. The deferred consideration of $3.7 million payable in July 2007, has been paid during three months ended September 30, 2007.

On August 21, 2006, the shareholders of Satyam Computer Services approved a two-for-one stock split (in the form of stock dividend) which was effective on October 10, 2006. Consequently, Satyam capitalized an amount of $17.7 million from its retained earnings to common stock. All references to number of shares, per share amounts, stock option data and market prices of Satyam Computer Services’ equity shares have been retroactively restated to reflect the stock split unless otherwise noted.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement (“SPRA Agreement”) was entered into between Satyam, the investors and Nipuna. Out of the total preference shares, 50% of the preference shares ($10 million) would be redeemed for $13.6 million at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. Since 50% of the preference shares are mandatorily redeemable, Satyam Computer Services has reclassified 50% of the preference shares as a current liability measured at fair value and accrued redemption premium amounting to $3.6 million up to March 31, 2007.

The investors gave Nipuna a notice of conversion of preference shares and in January 2007 preference shares amounting to $10 million have been converted into 6,422,267 equity shares of Nipuna. Due to the issue of shares by Nipuna, Satyam Computer Services’ ownership interest in Nipuna was reduced from 100.0% as at March 31, 2006 to 74.0% as at June 30, 2007. The shares issued to the investors are at amounts per share higher than Satyam Computer Services’ average cost per share. With respect to this transaction, the resulting gain of $7.9 million, net of taxes during the year ended March 31, 2007 has been recorded as an increase in additional paid in capital. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam’s consolidated statement of income.

On August 14, 2007, in accordance with the share purchase agreement, Satyam Computer Services acquired the 19.5% equity shares of Nipuna for a consideration of $34.9 million. The acquisition has been accounted using the purchase method and the purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition, on a preliminary basis based on management’s estimates. The finalization of the purchase price allocation, which is expected to be completed within one year from the date of the acquisition, will result in adjustments to the purchase price allocation. The preliminary allocation of the purchase price resulted in goodwill of $34.9 million. The goodwill has been allocated to the BPO segment.

On August 27, 2007 an Employee Stock Option Exercises and Share Transfer Agreement was entered into between Satyam Computer Services, Nipuna and certain employees of Nipuna holding Nipuna-Employee Stock Option Plan. Satyam Computer Services has acquired 286,952 shares at $7.2 per share. Since the award is cash settled at its current fair value as of the settlement date no incremental compensation cost has been recognized. The acquisition has been accounted for using the purchase method and the purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition, on a preliminary basis based on management's estimates. The finalization of the purchase price allocation, which is expected to be completed within one year from the date of the acquisition, will result in adjustments to the purchase price allocation. The preliminary allocation of the purchase price resulted in goodwill of $2.1 million. The goodwill has been allocated to the BPO segment.

Due to the above transaction Satyam Computer Services ownership interest in Nipuna was increased to 95.1% as at September 30, 2007 from 74.0% as at March 31, 2007.

On October 23, 2007, we announced that we intend to acquire Nitor Global Solutions Ltd, United Kingdom ("Nitor"), a Company specialized in the Infrastructure Management Services (IMS) space. We intend to acquire 100% of the shares of Nitor. The total consideration for this acquisition would be approximately $5.6 million including a performance-based payment of up to $2.6 million over two years conditional upon specified revenue and profit targets being met. The initial consideration of $3.0 million is payable by January 3, 2008 of which $0.5 million is payable by October 31, 2007.

On October 23, 2007, it is proposed to change the name of Nipuna to Satyam BPO limited.

During fiscal 2007, we have also established the following schemes "Associate Stock Option Plan — Restricted Stock Units (ASOP — RSUs)" and "Associate Stock Option Plan — RSUs (ADS)".

We believe customers are increasingly demanding full-service IT providers that have expertise in both existing systems and new technologies, access to a large pool of highly-skilled technical personnel and the ability to service customers globally at competitive rates. To meet these requirements, we offer our customers an integrated global delivery model, which we refer to as the "Right Sourcing Model," to provide flexible delivery alternatives to our customers through our offshore centers located in India, offsite centers which we have established in our major markets, nearshore centers located geographically near our customers' premises and through our onsite teams operating at our customers' premises. In addition, we use the expertise resident in our focused industry groups to provide specialized services and solutions to our customers in the manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation industries.

Our revenues and profitability have grown significantly in recent years. Our total revenues increased by 42.6% to $961.9 million during the six months ended September 30, 2007 as compared to $674.5 million during the six months ended September 30, 2006. Our net income increased by 38.2% to $195.0 million during the six months ended September 30, 2007 from $141.0million during the six months ended September 30, 2006. Our revenue and profitability growth is attributable to a number of factors related to the expansion of our business, including increase in the volume of projects completed for our widening customer base, increase in our associate numbers, increased growth in our consulting and enterprise business solutions business and a strengthening of our customer base in United States and Europe. Our growth has continued despite increasing pressure for higher wages for our associates coupled with pressure for lower prices for our customers. In the six months ended September 30, 2007 and fiscal 2007 our five largest customers accounted for 19.7% and 21.0% respectively, of our total revenues. As of September 30, 2007, we had 45,237 employees (including employees of our subsidiaries), whom we refer to as associates, worldwide as compared to 39,018 associates as of March 31, 2007. With our continuing geographical expansion we now have offshore facilities in India and overseas facilities located in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States. We also have sales and marketing offices located in Brazil, Canada, Germany, Italy, the Netherlands, Saudi Arabia, Spain, Sweden, United Kingdom and United States and sales and marketing offices in the rest of the world.

Satyam has adopted Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on stand-alone revenues and net income for the companies in Satyam. The executive management evaluates Satyam's operating segments based on the following two business groups:

- ***IT services:*** We provide a comprehensive range of IT services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. We seek to be the single service provider capable of servicing all of our customers' IT requirements. Our consulting and enterprise business solutions includes services in the area of enterprise resource planning, customer relationship management and supply chain management, data warehousing and business intelligence, knowledge management, document management and enterprise application integration. We also assist our customers in making their existing computing systems accessible over the Internet. The segment information includes the results of Citisoft and Knowledge Dynamics Pte Ltd, Singapore, or Knowledge Dynamics which were acquired during 2005.
- ***BPO:*** We provide outsourced BPO services in areas such as human resources, finance and accounting, customer care (such as voice, email and chat) besides also providing industry-specific transaction processing services. We target our BPO services at the insurance, healthcare, banking and financial services, transportation, tourism, manufacturing, automotive, telecommunications, media, utilities and retail industries. Revenues from this business segment currently do not constitute a significant proportion of our total revenues; however, we anticipate that this proportion will increase over time. Our BPO services are offered through our majority-owned subsidiary, Nipuna.

Revenues

We generate revenues through fees for professional services rendered in our two segments, namely, IT services and BPO services.

The following table sets forth the total revenues (excluding inter-segment revenues) for our business segments for the three months and six months ended September 2007 and 2006:

	Three months ended September 30,				Six months ended September 30,			
	2007 (unaudited)		2006 (unaudited)		2007 (unaudited)		2006 (unaudited)	
Segment	Amount	%	Amount	%	Amount	%	Amount	%
	(in millions, except percentages)							
IT services	$ 498.2	97.8%	$ 345.0	98.0%	$ 942.0	97.9%	$ 661.2	98.0%
BPO	11.4	2.2	7.0	2.0	19.9	2.1	13.3	2.0
Total	$ 509.6	100.0%	$ 352.0	100.0%	$ 961.9	100.0%	$ 674.5	100.0%

We discuss below the components of our IT services revenues by technology type, contract type, offshore or onshore designation, top customers and customer geography:

Revenues by technology

The vast majority of our revenues are generated from our various IT service offerings. The following table presents our IT services revenues (excluding inter-segment revenues) by type of service offering for the periods indicated:

	Three months ended September 30,				Six months ended September 30,			
	2007 (unaudited)		2006 (unaudited)		2007 (unaudited)		2006 (unaudited)	
Technology type	Amount	%	Amount	%	Amount	%	Amount	%
	(in millions, except percentages)							
Application development and maintenance services	$ 217.5	43.7%	$ 164.0	47.5%	$ 409.6	43.5%	$ 316.5	47.9%
Consulting and enterprise business solutions	225.1	45.2	140.7	40.8	423.1	44.9	270.0	40.8
Extended engineering solutions	33.4	6.7	22.8	6.6	65.9	7.0	40.9	6.2
Infrastructure management services	22.2	4.5	17.5	5.1	43.4	4.6	33.8	5.1
Total	$ 498.2	100.0%	$ 345.0	100.0%	$ 942.0	100.0%	$ 661.2	100.0%

Revenues by contract type

Our IT services are provided on a time-and-material basis or on a fixed-price basis. Revenues from IT services provided on a time-and-material basis are recognized in the period that the services are performed. Revenues from IT services provided on a fixed-price basis are recognized under the percentage of completion method of accounting and are recorded when we can reasonably estimate the time period to complete the work. The percentage of completion estimates are subject to periodic revisions and the cumulative impact of any revision in the estimates of the percentage of completion is reflected in the period in which the changes become known to us. Although we have revised our project completion estimates from time to time, such revisions have not materially affected our reported revenues to date. In recent years, we have experienced some pricing pressure from our customers, which has had a negative impact on margins. In response to current market trends, we are considering the viability of introducing performance-based or variable-pricing contracts. Even though there has been decline in fixed-price contracts during six months ended September 30, 2007 as compared with the six months ended September 30, 2006, in the long term we expect that revenue from fixed-price contracts will increase.

The following table presents our IT services revenues (excluding inter-segment revenues) by type of contract for the periods indicated:

	Three months ended September 30,				Six months ended September 30,			
	2007 (unaudited)		2006 (unaudited)		2007 (unaudited)		2006 (unaudited)	
Contract type	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in millions, except percentages)							
Time-and-material basis	$ 334.4	67.1%	$ 210.3	61.0%	$ 637.3	67.7%	$ 380.6	57.6%
Fixed-price basis	163.8	32.9	134.7	39.0	304.7	32.3	280.6	42.4
Total	$ 498.2	100.0%	$ 345.0	100.0%	$ 942.0	100.0%	$ 661.2	100.0%

Revenues based on offshore and onsite/offsite

We provide our IT services through a combination of (i) offshore centers located throughout India, (ii) teams working onsite at a customer's location, (iii) nearshore centers located in Canada, China and Hungary to service U.S.-based, Asia Pacific based and Europe based customers, respectively and (iv) 29 offsite centers in locations in Australia, Brazil, Canada, China, Germany, Hungary, Japan, Korea, Malaysia, Singapore, South Africa, Thailand, United Arab Emirates, the United Kingdom and United States. Offshore IT services revenues consist of revenues earned both from IT services work conducted at our offshore centers in India as well as onsite work conducted at customers' premises which is related to offshore work. Offshore IT services revenues do not include revenues from our offsite or nearshore centers located outside of India or revenues from onsite work which is not related to any offshore work. These later revenues are included in onsite/offsite revenues.

We generally charge higher rates and incur higher compensation expenses for work performed by our onsite teams at our customer's premises or at our offsite and nearshore centers, as compared to work performed at our offshore centers in India. Services performed by our onsite teams or at our offsite centers typically generate higher revenues per capita, but at a lower gross margin, than the same amount of services performed at our offshore centers in India.

The following table presents our IT services revenues (excluding inter-segment revenues) based on the location where services are performed for the periods indicated:

	Three months ended September 30,				Six months ended September 30,			
	2007 (unaudited)		2006 (unaudited)		2007 (unaudited)		2006 (unaudited)	
Location	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in millions, except percentages)							
Offshore	$ 248.7	49.9%	$ 164.5	47.7%	$ 477.4	50.7%	$ 313.6	47.4%
Onsite/Offsite	249.5	50.1	180.5	52.3	464.6	49.3	347.6	52.6
Total	$ 498.2	100.0%	$ 345.0	100.0%	$ 942.0	100.0%	$ 661.2	100.0%

Revenues by top customers

Our top two customers accounted for 10.7% of our IT services' revenues during the six months ended September 30, 2007, as compared to 12.0% of IT services' revenues during the six months ended September 30, 2006 respectively. Our top five customers accounted for 20.4% of IT services' revenues during the six months ended September 30, 2007, as compared to 21.8% of IT services' revenues during the six months ended September 30, 2006.

Revenues based on customer location

We have experienced increasing volumes of business from customers located in United States and Europe, attributable to both new customers and additional business from existing customers. We expect that most of our revenues will be generated in United States followed by Europe in the remaining half of fiscal 2008. The following table gives the composition of our IT services revenues (excluding inter-segment revenues) based on the location of our customers for the periods indicated:

	Three months ended September 30,				Six months ended September 30,			
	2007 (unaudited)		2006 (unaudited)		2007 (unaudited)		2006 (unaudited)	
Geographic location	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in millions, except percentages)							
North America	$ 285.8	57.4%	$ 221.7	64.3%	$ 555.9	59.0%	$ 427.5	64.7%
Europe	105.5	21.2	65.1	18.9	195.4	20.7	122.2	18.5
Japan	7.1	1.4	5.5	1.5	13.5	1.4	9.0	1.4
India	20.0	4.0	16.4	4.8	36.2	3.8	30.1	4.6
Rest of the world	79.8	16.0	36.3	10.5	141.0	15.0	72.4	10.9
Total	$ 498.2	100.0%	$ 345.0	100.0%	$ 942.0	100.0%	$ 661.2	100.0%

Expenses

Cost of revenues

Our cost of revenues consists primarily of the compensation cost of technical staff, depreciation on dedicated assets and system and application software costs, amortization of intangibles, travel costs, data communication expenses and other expenses incurred that are related to the generation of revenue.

The principal component of our cost of revenues is the wage cost of our technical associates. Wage cost in India, including in the IT services industry, have historically been significantly lower than wage cost in the United States and Europe for comparably skilled professionals. However, as wages in India increase at a faster rate than in the United States, we may experience increase in our costs of personnel, particularly project managers and other mid-level professionals.

The utilization levels of our technical associates also affect our revenue and gross profits. We calculate utilization levels on a monthly basis, based on the ratio of the actual number of hours billed by technical associates in such month to the total number of billable hours. For purposes of such calculation, we assume that an associate is 100.0% utilized if he or she works 157 hours per month. We manage utilization by monitoring project requirements and timetables. The number of associates assigned to a project will vary according to size, complexity, duration and demands of the project. Associate utilization levels for IT services were 84.6% and 84.3% during the six months ended September 30, 2007 and 2006 respectively.

Selling, general and administrative expenses

Selling, general and administrative expenses generally include the compensation costs of sales, management and administrative personnel, travel costs, advertising, business promotion, depreciation on assets, rent, repairs, electricity and other general expenses not attributable to cost of revenues.

Subsidiaries

As of September 30, 2007, we have five wholly-owned subsidiaries, Satyam Technologies Inc., or STI, Satyam Computer Services (Shanghai) Company Limited, or Satyam Shanghai, Citisoft, Knowledge Dynamics and Satyam Computer Services (Nanjing) Company Limited as well as one majority owned subsidiary, Nipuna. These six subsidiaries have been consolidated in our consolidated financial statements for the six months ended September 30, 2007.

Citisoft

On May 12, 2005, Satyam Computer Services acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry since 1986. The results of Citisoft's operations have been consolidated by Satyam Computer Services from the consummation date of May 12, 2005. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for the 75% equity interest in Citisoft amounted to $17.4 million comprising of an initial consideration of $14.3 million (including direct acquisition costs of $0.9 million) and deferred consideration (non-contingent) of $3.1 million. Deferred consideration for the acquisition of the 75% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2006 this has been paid subsequently in June 2006. Satyam Computer Services was also required to pay a maximum earn out consideration amounting to $3.9 million in May 2007 based on achievement of targeted revenues and profits for the year ended April 30, 2007. Since the revenue and profit targets have not been achieved, the earn out consideration is not payable.

Satyam Computer Services had a call option and the minority shareholders had a put option to acquire / sell the balance 25% equity shares in two tranches 12.5% on April 30, 2007 and 12.5% on April 30, 2008. The consideration payable for the first tranche of 12.5% equity shares on April 30, 2007 would amount to $2.8 million and a maximum earn-out consideration amounting to $2.7 million based on achievement of targeted revenues and profits. The consideration payable for the second tranche of 12.5% equity shares on April 30, 2008 would amount to $2.9 million and a maximum earn-out consideration amounting to $4.2 million based on achievement of targeted revenues and profits. Satyam Computer Services recorded the put option at fair value at each balance sheet date, with the initial fair value of the put option included as part of the consideration for its 75.0% interest in Citisoft. The difference between the fair values at each valuation date was charged to selling, general and administration expenses in statement of income. On the basis of an independent valuation, the value of put option was $Nil and $1.1 million as of May 12, 2005 and March 31, 2006 respectively.

On June 29, 2006, Satyam Computer Services exercised the call option and acquired the remaining 25% equity interest for a deferred consideration of $3.2 million and $ 3.3 million payable on April 30, 2007 and 2008 respectively and a maximum earn-out consideration of $2.7 million and $4.2 million payable in May 2007 and 2008 respectively based on achievement of targeted revenues and profits for the years ended April 30, 2007 and 2008 respectively. As a result Satyam reversed the put option liability during the year ended March 31, 2007. The acquisition was accounted for as a step purchase of the 25% equity interest, the deferred consideration for the acquisition of the 25% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2007. The deferred consideration of $3.2 million payable on April 30, 2007 has been paid during the three months ended June 30, 2007. Since the revenue and profit targets have not been achieved, the 2007 earn out consideration is not payable.

Satyam Computer Services is also required to fund an EBT formed by Citisoft for the purpose of providing additional incentive to employees to contribute to the success of Citisoft. Satyam was required to fund a maximum of $3.4 million and $1.8 million on April 30, 2007 and 2008 respectively, based on achievement of targeted revenues and profits. Satyam Computer Services paid an amount of $2.0 million towards EBT contribution in April 2007.

On June 29, 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders. As per the amendment agreement, Satyam Computer Services is required to pay in July 2007, $3.5 million to the selling shareholders in lieu of the 2008 deferred and earn out consideration and $ 0.2 million towards EBT contribution in lieu of the 2008 EBT contribution. Satyam Computer Services had accounted for the deferred consideration of $3.3 million as part of purchase consideration and disclosed it as a current liability. Satyam Computer Services has now accounted for $0.4 million in the consolidated statement of income for the three months ended June 30, 2007 as part of cost of revenues and disclosed it as a current liability as of June 30, 2007. The deferred consideration of $3.7 million payable in July 2007, has been paid during three months ended September 30, 2007.

The purchase consideration for acquisition of interest has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

	$in millions	
	Acquisition of 75% interest	**Acquisition of 25% interest**
Purchase price	**$17.4**	**$ 5.9**
Allocated to:		
Net current assets	$ 2.2	$ 0.7
Tangible assets	0.3	0.1
Customer Contracts related intangibles	0.8	0.3
Customer relationship related intangibles	5.4	0.7
Trade name	0.7	0.1
Goodwill	10.3	4.4
Deferred tax liability	(2.3)	(0.4)
Total	**$17.4**	**$ 5.9**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

Knowledge Dynamics

On July 21 2005, Satyam Computer Services announced its intention to acquire 100% of the shares of Knowledge Dynamics, a leading Data Warehousing and Business Intelligence Solutions provider. The transaction was consummated on October 1, 2005, the date of transfer of shares to Satyam Computer Services and Satyam Computer Services has consolidated Knowledge Dynamics, from October 1, 2005. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for this acquisition amounted to $3.3 million comprising of initial consideration of $1.8 million (including direct acquisition costs of $11 thousand) and deferred consideration (non-contingent) of $1.5 million. The total deferred consideration for the acquisition of $1.5 million has been accounted for as part of the purchase consideration out of which $0.8 million has been paid during the year ended March 31, 2007 and $0.7 million has been disclosed as a current liability in the consolidated balance sheet as of March 31, 2007 and has been subsequently paid in April 2007. Satyam Computer Services was also required to pay a maximum earn out consideration amounting to $1.1 million and $1.1 million on April 30, 2007 and 2008 respectively based on the achievement of targeted revenues and profits from the date of acquisition upto April 30, 2007 and 2008 respectively. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved. Since the revenue and profit targets have not been achieved, the 2007 earn out consideration is not payable. During the three months ended June 30, 2007, Satyam Computer Services paid an amount of $0.8 million towards deferred consideration payable in April 2007.

On July 19, 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders. As per the amendment agreement, Satyam Computer Services is required to pay $0.7 million to the selling shareholders in July 2007 and deferred payment of $0.2 million and a maximum earn out consideration of $0.5 million payable in May 2008 in lieu of 2008 earn out consideration. The earn out consideration is payable based on achievement of targeted revenues. Satyam has accounted for $0.9 million in the consolidated statement of income as part of cost of revenues and $0.7 million has been paid in the six months ended September 30, 2007. The deferred payment of $0.2 million payable in May 2008 was disclosed as a current liability in the consolidated balance sheet. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

	$in millions
Purchase price	**$ 3.3**
Allocated to:	
Net current assets	$ 0.5
Customer Contracts and Related Relationships	1.0
Trade name	0.1
Goodwill	2.1
Deferred tax liability	(0.4)
Total	**$ 3.3**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

Acquisition of Minority interests in Nipuna

On August 14, 2007, in accordance with the share purchase agreement, Satyam Computer Services acquired the 19.5% equity shares of Nipuna for a consideration of $34.9 million. The acquisition has been accounted using the purchase method and the purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition, on a preliminary basis based on management's estimates. The finalization of the purchase price allocation, which is expected to be completed within one year from the date of the acquisition, will result in adjustments to the purchase price allocation. The preliminary allocation of the purchase price resulted in goodwill of $34.9 million. The goodwill has been allocated to the BPO segment.

On August 27, 2007 an Employee Stock Option Exercises and Share Transfer Agreement was entered into between Satyam Computer Services, Nipuna and certain employees of Nipuna holding Nipuna-ESOP. Satyam Computer Services has acquired 286,952 shares at $7.2 per share. Since the award is cash settled at its current fair value as of the settlement date no incremental compensation cost has been recognized. The acquisition has been accounted for using the purchase method and the purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition, on a preliminary basis based on management's estimates. The finalization of the purchase price allocation, which is expected to be completed within one year from the date of the acquisition, will result in adjustments to the purchase price allocation. The preliminary allocation of the purchase price resulted in goodwill of $2.1 million. The goodwill has been allocated to the BPO segment.

Due to the above transaction Satyam Computer Services' ownership interest in Nipuna was increased to 95.1% as at September 30, 2007 from 74.0% as at March 31, 2007.

Preferred Stock of Subsidiary

Nipuna issued 45,669,999 and 45,340,000 0.05% convertible redeemable cumulative preference shares of par value Rs 10 ($0.23) per share in October 2003 and June 2004 respectively to the investors at an issue price of Rs.10 ($0.23) per share, in exchange for an aggregate consideration of $20 million.

As per the agreement, these preference shares were mandatorily convertible into equity shares of Nipuna no later than June 2006, if Nipuna achieved certain targets for revenues and profits earned up to March 31, 2006. If these targeted revenues and profits were not achieved by Nipuna along with other triggering events, the investors had an option to either redeem these preference shares or convert them. Although certain triggering events for early redemption as per the agreement occurred during the period January 2004 to December 2004 the investors waived the right of early redemption. Further Nipuna has not achieved the targeted revenues and profits upto March 2006.

If not converted, early converted or redeemed, these convertible preference shares were redeemable on maturity in June 2007 at a redemption premium, which could range between 7.5% to 13.5% p.a. The Investors are entitled to receive dividends at the rate of 0.05% per cent per annum, on the face value of Rs. 10 ($0.23) from the date of issuance of such Preference Shares. The dividends are cumulative and payable in cash at the rate indicated above, whether or not they have been declared and whether or not there are profits, surplus or other funds of Nipuna legally available for the payment of dividends. These preference shares rank senior to all classes of Nipuna's currently existing capital stock or established subsequently with respect to dividend distributions and repayment of capital and premium upon a Bankruptcy Event or Change in Control with respect to Nipuna, unless the terms and conditions of such class expressly provide that such class will rank senior to or on parity with the convertible redeemable cumulative preference shares. The dividend on the preference shares for the period ended June 30, 2007 is payable.

On November 20, 2006, SPRA Agreement was entered into between Satyam, the Investors and Nipuna. Out of the total preference shares, 50% of the preference shares ($ 10 million) would be redeemed for $ 13.6 million at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. Since 50% of the Preference Shares are mandatorily redeemable, Satyam has reclassified 50% of the preference shares as a current liability measured at fair value and accrued redemption premium amounting to $3.6 million up to March 31, 2007. The 50% preference shares have been redeemed in August 2007 for $13.8 million.

Further as per the SPRA Agreement, Satyam agrees to purchase and the Investors agree to sell these equity shares at an aggregate purchase price based on a formula. If the share purchase closing occurs on or before the share purchase target date (May 21, 2007) then the purchase price would range from a minimum of $ 35 million to maximum of $ 45 million, however if an acceleration event occurs the purchase price would equal $45 million. If the share purchase closing occurs after the share purchase target date then the purchase price shall not be less than $ 35 million however if an acceleration event occurs the purchase price shall not be less than $45 million. This is subject to fulfillment of terms and conditions specified in the agreement and obtaining necessary approvals from appropriate authorities. As of March 31, 2007 an acceleration event has occurred.

The forward contract is freestanding and has been accounted for under SFAS No. 150 and hence the issuance of Nipuna's equity shares has been considered as a minority interest. The Investors gave Nipuna a Notice of Conversion of Preference Shares and in January 2007 preference shares amounting to $10 million have been converted into 6,422,267 equity shares of Nipuna. Due to the issue of shares by Nipuna Satyam Computer Services' ownership interest in Nipuna was reduced from 100.0% as at March 31, 2006 to 74.0% as at March 31, 2007. The shares issued to the Investors are at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of $7.9 million, net of taxes during the year ended March 31, 2007 has been recorded as an increase in additional paid in capital. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam's consolidated statement of income. The Investors holding in Nipuna has been accounted for as a minority interest.

The forward contract has a zero fair vale at inception and at balance sheet date since as per regulatory requirements the transaction can take place only at fair value. Upon settlement of the forward the acquisition of the minority interest would be reflected as a step acquisition with a corresponding reduction in minority interest.

Income Taxes

Effective April 1, 2007, Satyam adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109 ("FIN 48"). The Interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption did not have a material impact on our financial position, cash flows, or results of operations.

The statutory corporate income tax rate in India is currently 30.0%. This tax rate is presently subject to a 10.0% surcharge. The amount of tax and surcharge payable is further subject to a 3.0% education cess, resulting in an effective tax rate of 33.99%. The provision for foreign taxes is due to income taxes payable in overseas tax jurisdictions by our offsite, nearshore and onsite centers, principally in the United States. We benefit from tax incentives provided to software entities as an exemption from payment of Indian corporate income taxes until the earlier of fiscal 2009 or 10 consecutive years of operations of software development facilities designated as "Software Technology Parks," or STP units. The benefits of this tax incentive have historically resulted in our effective tax rate being well below statutory rates. The exemption for two of our STP units in Hyderabad and one in Bangalore expired at the beginning of fiscal 2006 and one in Hyderabad, Chennai, Pune and Bhubaneswar expired at the beginning of fiscal 2007 and the exemption for balance of our STP units will expire in fiscal 2008 and fiscal 2009. We also earn certain other foreign income and domestic income, which are taxable irrespective of the tax holiday as stated above.

Our subsidiaries are subject to income taxes of the countries in which they operate. Our subsidiaries' operating loss carried forward for tax purposes amounted to approximately $29.0 million as of September 30, 2007, which is available as an offset against future taxable income of such entities. These carried forward amounts expire at various dates primarily over eight to twenty years. Realization is dependent on such subsidiaries generating sufficient taxable income prior to expiration of the loss carried forward. A valuation allowance is established attributable to deferred tax assets and losses carried forward in subsidiaries where, based on available evidence, it is more likely than not that they will not be realized. Currently, a full valuation allowance has been made for such losses since we believe that our subsidiaries will not generate sufficient taxable income prior to expiration of carry forwards and under Indian regulations we are not allowed to file a consolidated tax return.

RESULTS OF OPERATIONS

The following table sets forth operating data in dollars and as a percentage of revenues for the periods indicated:

Statement of Operations data:	Three months ended September 30, 2007 (unaudited) Amount	%	Three months ended September 30, 2006 (unaudited) Amount	%	Six months ended September 30, 2007 (unaudited) Amount	%	Six months ended September 30, 2006 (unaudited) Amount	%
	(in millions, except percentages)		(in millions, except percentages)		(in millions, except percentages)		(in millions, except percentages)	
Revenues:								
IT services	$ 498.7	97.9%	$ 345.2	98.1%	$ 942.8	98.0%	$ 661.5	98.1%
BPO	15.1	3.0	9.0	2.5	26.9	2.8	17.0	2.5
Inter-segment	(4.2)	(0.8)	(2.2)	(0.6)	(7.8)	(0.8)	(4.0)	(0.6)
Total revenues	509.6	100.0	352.0	100.0	961.9	100.0	674.5	100.0
Cost of revenues: (1)								
IT services	(322.2)	(63.2)	(225.9)	(64.2)	(604.4)	(62.8)	(427.4)	(63.4)
BPO	(11.8)	(2.3)	(6.4)	(1.8)	(22.2)	(2.3)	(12.2)	(1.8)
Inter-segment	3.7	0.7	2.0	0.6	7.1	0.7	3.8	0.6
Total cost of revenues	(330.3)	(64.8)	(230.3)	(65.4)	(619.5)	(64.4)	(435.8)	(64.6)
Gross profit:								
IT services	176.5	34.6	119.3	33.9	338.4	35.2	234.1	34.7
BPO	3.3	0.6	2.6	0.7	4.7	0.5	4.8	0.7
Inter-segment	(0.5)	(0.1)	(0.2)	(0.1)	(0.7)	(0.1)	(0.2)	—
Total gross profit	179.3	35.2	121.7	34.6	342.4	35.6	238.7	35.4
Operating expenses:								
Selling, general and administrative expenses: (2)								
IT services	(85.6)	(16.8)	(52.3)	(14.9)	(155.5)	(16.2)	(100.0)	(14.8)
BPO	(3.8)	(0.7)	(3.4)	(1.0)	(7.2)	(0.7)	(5.8)	(0.9)
Inter-segment	0.4	0.1	0.1	—	0.7	0.1	0.1	—
Total selling, general and administrative expenses	(89.0)	(17.5)	(55.6)	(15.8)	(162.0)	(16.9)	(105.7)	(15.7)
Operating income/(loss):								
IT services	90.9	17.8	67.0	19.0	182.8	19.0	134.1	19.9
BPO	(0.5)	(0.1)	(0.8)	(0.2)	(2.4)	(0.3)	(1.0)	(0.1)
Inter-segment	(0.1)	(0.1)	(0.1)	—	—	—	(0.1)	—
Total operating income/ (loss)	90.3	17.7	66.1	18.8	180.4	18.7	133.0	19.7
Interest income	16.8	3.3	6.3	1.8	33.2	3.5	12.8	1.9
Interest expense	(1.0)	(0.2)	(0.6)	(0.2)	(1.8)	(0.2)	(1.2)	(0.2)
Gain on sale of shares in associated companies/ others	—	—	—	—	—	—	—	—
Gain/ (loss) on foreign exchange transactions	(1.2)	(0.2)	(1.9)	(0.5)	(24.1)	(2.5)	12.8	1.9
Other income/(expense), net	11.7	2.3	1.6	0.5	33.8	3.5	(3.3)	(0.5)
Income before income taxes and equity in earnings/ (losses) of associated companies	116.6	22.9	71.5	20.3	221.5	23.0	154.1	22.8
Income taxes	(14.7)	(2.9)	(6.2)	(1.8)	(26.5)	(2.8)	(13.5)	(2.0)
Minority interest	—	—	—	—	—	—	—	—
Equity in earnings/(losses) of associated companies, net of taxes	—	—	0.2	0.1	—	—	0.4	0.1
Net income	$ 101.9	20.0	$ 65.5	18.6	$ 195.0	20.3	$ 141.0	20.9
Depreciation	$ 9.5	1.9	$ 8.0	2.3	$ 18.9	2.0	$ 15.9	2.1
Stock-based compensation	6.3	1.2	3.5	1.0	12.2	1.3	7.1	1.1

(1) Inclusive of stock-based compensation expenses of $3.0 million and $3.3 million for the three months ended September 30, 2007 and 2006, respectively and $5.7 million and $6.7 million for the six months ended September 30, 2007 and 2006, respectively in the IT services segments

(2) Inclusive of stock-based compensation expenses of $3.3 million and $0.2 million for the three months ended September 30, 2007 and 2006, respectively and $6.5 million and $0.4 million for the six months ended September 30, 2007 and 2006, respectively in the IT services segments.

Comparison of results for the six months ended September 30, 2007 and September 30, 2006.

Revenues. Our revenues increased by 42.6% to $961.9 million during the six months ended September 30, 2007 from $674.5 million during the six months ended September 30, 2006. This revenue growth of $287.4 million during the six months ended September 30, 2007 was primarily the result of an increase in business both from existing customers and new customers. Revenues from existing customers increased by 52.7% to $881.3 million during the six months ended September 30, 2007 from $577.2 million during the six months ended September 30, 2006, the increase was primarily due to new projects/orders from our existing customers. Revenues from new customers decreased by 17.2% to $80.6 million during the six months ended September 30, 2007 from $97.3 million during the six months ended September 30, 2006. We added 37 and 69 customers including 8 and 5 from the Fortune Global 500 and Fortune U.S. 500 list during the six months ended September 30, 2007 and 2006, respectively.

During the six months ended September 30, 2007, revenues (IT services excluding inter-segment revenues) from consulting and enterprise business solutions increased by $153.1 million, revenues from application development and maintenance increased by $93.1 million, followed by extended engineering solutions and infrastructure management services, increased by $25.0 million and $9.6 million respectively. In terms of percentage growth during the six months ended September 30, 2007 over the six months ended September 30, 2006, revenues from consulting and enterprise solutions has grown by 56.7%, application development and maintenance services has grown by 29.4%, extended engineering solutions and infrastructure management services have grown by 61.1% and 28.4%, respectively.

Revenues from IT services (excluding inter-segment revenues) provided on a time-and-materials basis increased to 67.6% during the six months ended September 30, 2007 from 57.6% during the six months ended September 30, 2006. Revenues from IT services provided on a fixed-price basis decreased to 32.3% during the six months ended September 30, 2007 from 42.4% during the six months ended September 30, 2006 due to shift in customer preferences regarding type of contracts from fixed-price to time-and-material.

The onsite revenues increased as a result of new engagements in consulting and enterprise business solutions during the six months ended September 30, 2007 and the need for extensive interactions with customers in the early stages of new engagements to understand their business needs and create the relevant processes before we move the appropriate portion of the work offshore.

Of the total increase of $287.4 million in total revenues during the six months ended September 30, 2007, $142.7 million is due to increased business in United States, $71.1 million in Europe, $68.4 million in rest of the world and $4.5 million in Japan. Our increased business in United States, Europe and rest of the world was due to additional business from existing customers.

Cost of Revenues. Cost of revenues increased by 42.2% to $619.5 million during the six months ended September 30, 2007 from $435.8 million during the six months ended September 30, 2006. Cost of revenues represented 64.4% of revenues during the six months ended September 30, 2007 and 64.6% during the six months ended September 30, 2006. This increase by $183.7 million was attributable primarily to increases in associate compensation and benefits expenses, traveling expenses, communication expenses, depreciation and other expenses, attributable largely to an overall increase in our business during this period. Associate compensation and benefits expenses increased by 46.6% to $493.3 million, or 51.3% of revenues, during the six months ended September 30, 2007 from $336.4 million, or 49.9% of revenues, during the six months ended September 30, 2006. The increase in the associate compensation and benefits is due to: (i) revision of salaries on July 1, 2007 to the associates (ii) increase in the total number of technical associates by 10,199 to 42,453 as of September 30, 2007 from 32,254 as of September 30, 2006 (iii) increase in number of onsite technical associates by 1,055 to 4,689 as of September 30, 2007 from 3,634 as of September 30, 2006, for which we pay a higher compensation and (iv) salary incentives amounting to $24.3 million given to technical associates during the six months ended September 30, 2007 as compared to $13.6 million during the six months ended September 30, 2006. Traveling expenses increased by 45% to $50.9 million, or 5.3% of revenues, during the six months ended September 30, 2007 from $35.1 million or 5.2% of revenues, during the six months ended September 30, 2006. This increase was primarily due to increase in the number of travels resulting from increase in the number of technical associates. Communication expenses increased by 25.4% to $9.3 million or 1.0% of revenues during the six months ended September 30, 2007 from $7.4 million, or 1.1% of revenues during the six months ended September 30, 2006. This increase was primarily due to increase in number of locations of operations, both in India and abroad. Depreciation expense increased by 21.0% to $16.7 million, or 1.7% of revenues, during the six months ended September 30, 2007 from $13.8 million, or 2.0% of revenues during the six months ended September 30, 2006. Other expenses comprised mainly of rent, power and fuel and maintenance expenses. Other expenses increased by 21.0% to $44.0 million, or 4.6% of revenues, during the six months ended September 30, 2007 from $36.5 million, or 5.4% of revenues during the six months ended September 30, 2006.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by 53.3% to $162.0 million during the six months ended September 30, 2007 from $105.7 million during the six months ended September 30, 2006. Selling, general and administrative expenses represented 16.8% of revenues during the six months ended September 30, 2007 and 15.7% of revenues during the six months ended September 30, 2006. This increase of $56.3 million during the six months ended September 30, 2007 was a result primarily of increase in associate compensation and benefits for non-technical associates, communication expenses and traveling expenses. Associate compensation and benefits increased by 45.2% to $85.4 million, or 8.9% of revenues, during the six months ended September 30, 2007 as compared to $58.8 or 8.7% of revenues during the six months ended September 30, 2006 primarily on account of (i) revision of salaries on July 1, 2007 to the associates and (ii) increase in number of non-technical associates by 563 to 2,784 as of September 30, 2007 from 2,221 as of September 30, 2006. Professional charges increased by 86.4% to $12.3 million or 1.3% of revenues during the six months ended September 30, 2007 from $6.6 million or 1% of revenues during the six months ended September 30, 2006, primarily on account of legal and advisory services. Traveling expenses increased by 31.1% to $16.0 million or 1.7% of revenues during the six months ended September 30, 2007 from $12.2 million or 1.8% of revenues during the six months ended September 30, 2006. Communication expenses increased by 28.6% to $4.5 million or 0.5% of revenues during the six months ended September 30, 2007 as compared to $3.5 million or 0.5% of revenues during the six months ended September 30, 2006. Stock-based compensation expenses increased to $6.5 million, or 0.7% of revenues, during the six months ended September 30, 2007 from $0.4 million, or 0.1% of revenues during the six months ended September 30, 2006 due to issue of Restricted Stock Units in January 2007. Other expenses comprised primarily of power and fuel, rent, marketing, repairs and maintenance and advertisement expenses. Other expenses increased by 66.7% to $30.0 million or 3.1% of revenues during the six months ended September 30, 2007 from $18.0 million, or 2.7% of revenues during the six months ended September 30, 2006.

Operating income. Our operating income was $180.4 million during the six months ended September 30, 2007, representing an increase of 35.6% over the operating income of $133.0 million during the six months ended September 30, 2006. As a percentage of revenues, operating income was 18.8% during the six months ended September 30, 2007, as compared to 19.7% of revenues during the six months ended September 30, 2006.

Interest income. Interest income increased by 159.4% to $33.2 million during the six months ended September 30, 2007 from $12.8 million during the six months ended September 30, 2006. This increase in interest income was primarily due to increase in bank deposits.

Gain/(loss) on foreign exchange transactions. Our revenues generated in U.S. dollars were 68.5% and 77.7% of total revenues during the six months ended September 30, 2007 and 2006, respectively. The average exchange rate of Indian rupee to U.S. dollar during the six months ended September 30, 2007 was Rs. 40.38 against Rs. 45.79 during the six months ended September 30, 2006. As at September 30, 2007, the Indian rupee appreciated to Rs. 39.75 against Rs. 45.95 at September 30, 2006 and against Rs. 43.10 at March 31, 2007. As at September 30, 2006, the Indian rupee depreciated to Rs. 45.95 against 44.48 at March 31, 2006. As a result of these fluctuations in exchange rates during six months ended September 30, 2007 and September 30, 2006, loss on foreign exchange transactions was $(24.1) million during the six months ended September 30, 2007 as compared to a gain of $12.7 million during the six months ended September 30, 2006.

Gain/(Loss) on foreign exchange forward and option contracts. Gain on foreign exchange forward and option contracts were $33.8 million during the six months ended September 30, 2007, as compared to loss on foreign exchange forward and option contracts were $(3.2) million during the six months ended September 30, 2006. The increase in the gain/(loss) on foreign exchange forward and option contracts is primarily on account of gain on forward and options contracts due to rupee appreciation to Rs 39.75 as on September 30, 2007 from Rs 43.10 as on March 31, 2007 and as on September 30, 2006 rupee depreciated to Rs.45.95 from Rs.44.48 as on March 31, 2006 and also due to increase in outstanding forward and option contracts by $625.2 million to $783.2 million as on September 30, 2007 from $158.0 million as on September 30, 2006.

Income taxes. Income taxes were $26.5 million during the six months ended September 30, 2007, representing in an increase of 96.3% from $13.5 million during the six months ended September 30, 2006. The expiry of tax exemption benefit for seven of our STP units resulted in an increase in income taxes by $13.7 million during the six months ended September 30, 2007 as compared to $3.6 million on account of the expiry of tax exemption benefit for three of our STP units during the six months ended September 30, 2006, which is offset by decrease in income of foreign branches primarily on account of rupee appreciation.

Equity in earnings/(losses) of associated companies, net of taxes. Equity in earnings/(losses) of associated companies was $(21) thousands during the six months ended September 30, 2007 as compared to $0.4 million during the six months ended September 30, 2006. Equity in earnings/(losses) of Satyam Venture Engineering Services Private Limited, or Satyam Venture, CA Satyam ASP

Private Limited, or CA Satyam amounted to $(36) thousands and $15 thousands respectively, during the six months ended September 30, 2007 as compared to $0.4 million and $(41) thousand respectively, during the six months ended September 30, 2006.

Net income. As a result of the foregoing, our net income was $195.0 million during the six months ended September 30, 2007, representing an increase of 38.2% over net income of $141.0 million during the six months ended September 30, 2006. As a percentage of total revenues, net income decreased to 20.3% during the six months ended September 30, 2007 from 20.9% during the six months ended September 30, 2006.

Comparison of results for the three months ended September 30, 2007 and September 30, 2006.

Revenues. Our revenues increased by 44.8% to $509.6 million during the three months ended September 30, 2007 from $352.0 million during the three months ended September 30, 2006. This revenue growth of $157.6 million during the three months ended September 30, 2007 was primarily the result of an increase in business both from existing customers and new customers. Revenues from existing customers increased by 60.1% to $474.3 million during the three months ended September 30, 2007 from $296.3 million during the three months ended September 30, 2006, the increase was primarily due to new projects/orders from our existing customers. Revenues from new customers decreased by 36.6% to $35.3 million in during the three months ended September 30, 2007 from $55.7 million during the three months ended September 30, 2006. We added 8 and 35 customers including 6 and 1 from the Fortune Global 500 and Fortune U.S. 500 list during the three months ended September 30, 2007 and 2006, respectively.

During the three months ended September 30, 2007, revenues (IT services excluding inter-segment revenues) from consulting and enterprise business solutions increased by $84.4 million, revenues from application development and maintenance increased by $53.5 million, followed by extended engineering solutions and infrastructure management services, increased by $10.7 million and $4.7 million respectively. In terms of percentage growth during the three months ended September 30, 2007 over the three months ended September 30, 2006, revenues from consulting and enterprise solutions has grown by 60.0%, application development and maintenance services has grown by 32.6%, extended engineering solutions and infrastructure management services have grown by 10.7% and 4.7%, respectively.

Revenues from IT services (excluding inter-segment revenues) provided on a time-and-materials basis increased to 67.1% during the three months ended September 30, 2007 from 61.0% during the three months ended September 30, 2006. Revenues from IT services provided on a fixed-price basis decreased to 32.9% during the three months ended September 30, 2007 from 39.0% during the three months ended September 30, 2006 due to shift in customer preferences regarding type of contracts from fixed-price to time-and-material.

The onsite revenues increased as a result of new engagements in consulting and enterprise business solutions during the three months ended September 30, 2007 and the need for extensive interactions with customers in the early stages of new engagements to understand their business needs and create the relevant processes before we move the appropriate portion of the work offshore.

Of the total increase of $157.6 million in total revenues during the three months ended September 30, 2007, $70.3 million is due to increased business in United States, $40.6 million in Europe, $43.4 million in rest of the world $1.7 million in India and $1.6 million in Japan. Our increased business in United States, Europe and rest of the world was due to additional business from existing customers.

Cost of Revenues. Cost of revenues increased by 43.5% to $330.4 million during the three months ended September 30, 2007 from $230.3 million during the three months ended September 30, 2006. Cost of revenues represented 64.8% of revenues during the three months ended September 30, 2007 and 65.4% during the three months ended September 30, 2006. This increase by $100.2 million was attributable primarily to increases in associate compensation and benefits expenses, traveling expenses, communication expenses, depreciation and other expenses, attributable largely to an overall increase in our business during this period. Associate compensation and benefits expenses increased by 48.9% to $267.2 million, or 52.4% of revenues, during the three months ended September 30, 2007 from $179.4 million, or 51.0% of revenues, during the three months ended September 30, 2006. The increase in the associate compensation and benefits is due to: (i) revision of salaries on July 1, 2007 to the associates (ii) increase in the total number of technical associates by 3,001 to 42,453 as of September 30, 2007 from 39,452 as of June 30, 2007 when compared with increase in technical associates by 5,548 to 32,254 as of September 30, 2006 from 26,706 as of June 30, 2006 (iii) increase in number of onsite technical associates by 89 to 4,689 as of September 30, 2007 from 4,600 as of June 30, 2007 for which we pay a higher compensation. Traveling expenses increased by 34.9% to $26.3 million, or 5.2% of revenues, during the three months ended September 30, 2007 from $19.5 million or 5.6% of revenues, during the three months ended September 30, 2006. This increase was primarily due to increase in the number of travels resulting from increase in the number of technical associates. Communication expenses increased by

22.0% to $5.0 million or 1% of revenues during the three months ended September 30, 2007 from $4.1 million, or 1.2% of revenues during the three months ended September 30, 2006. This increase was primarily due to increase in number of locations of operations, both in India and abroad. Depreciation expense increased by 20% to $8.4 million, or 1.6% of revenues, during the three months ended September 30, 2007 from $7.0 million, or 2.0% of revenues during the three months ended September 30, 2006. Other expenses comprised mainly of rent, power and fuel and maintenance expenses. Other expenses increased by 23.7% to $20.9 million, or 4.1% of revenues, during the three months ended September 30, 2007 from $16.9 million, or 4.8% of revenues during the three months ended September 30, 2006.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by 60.1% to $89.0 million during the three months ended September 30, 2007 from $55.6 million during the three months ended September 30, 2006. Selling, general and administrative expenses represented 17.5% of revenues during the three months ended September 30, 2007 and 15.8% of revenues during the three months ended September 30, 2006. This increase of $33.4 million during the three months ended September 30, 2007 was a result primarily of increase in associate compensation and benefits for non-technical associates, communication expenses and traveling expenses. Associate compensation and benefits increased by 51.9% to $48.6 million, or 9.5% of revenues, during the three months ended September 30, 2007 as compared to $32.0 million or 9.1% of revenues during the three months ended September 30, 2006 primarily on account of (i) revision of salaries on July 1, 2007 to the associates (ii) increase in the total number of non-technical associates by 407 to 2,784 as of September 30, 2007 from 2,377 as of June 30, 2007 when compared with increase in non-technical associates by 306 to 2,221 as of September 30, 2006 from 1,915 as of June 30, 2006. Traveling expenses increased by 46.7% to $8.8 million or 1.7% of revenues during the three months ended September 30, 2007 from $6.0 million or 1.7% of revenues during the three months ended September 30, 2006. Professional charges increased by 80.6% to $5.6 million or 1.1% of revenues during the three months ended September 30, 2007 from $3.1 million or 0.9% of revenues during the three months ended September 30, 2006 primarily on account of legal and advisory services. Communication expenses increased by 11.8% to $1.9 million or 0.4% of revenues during the three months ended September 30, 2007 as compared to $1.7 million or 0.5% of revenues during the three months ended September 30, 2006. Stock-based compensation expenses increased to $3.2 million, or 0.6% of revenues, during the three months ended September 30, 2007 from $0.2 million, or 0.1% of revenues during the three months ended September 30, 2006 due to issue of Restricted Stock Units in January 2007. Other expenses comprised primarily of power and fuel, rent, marketing, repairs and maintenance and advertisement expenses. Other expenses increased by 79.5% to $31.6 million or 6.2% of revenues during the three months ended September 30, 2007 from $17.6 million, or 5.0% of revenues during the three months ended September 30, 2006.

Operating income. Our operating income was $90.3 million during the three months ended September 30, 2007, representing an increase of 36.6% over the operating income of $66.1 million during the three months ended September 30, 2006. As a percentage of revenues, operating income was 17.7% during the three months ended September 30, 2007, as compared to 18.8% of revenues during the three months ended September 30, 2006.

Interest income. Interest income increased by 166.7% to $16.8 million during the three months ended September 30, 2007 from $6.3 million during the three months ended September 30, 2006. This increase in interest income was primarily due to increase in bank deposits.

Gain/(loss) on foreign exchange transactions. Our revenues generated in U.S. dollars were 69.1% and 77.5% of total revenues during the three months ended September 30, 2007 and 2006, respectively. The average exchange rate of Indian rupee to U.S. dollar during the three months ended September 30, 2007 was Rs. 40.375 against Rs. 46.38 during the three months ended September 30, 2006. As at September 30, 2007, the Indian rupee appreciated to Rs. 39.75 against Rs. 45.94 at September 30, 2006 and against Rs. 43.10 at March 31, 2007. As at September 30, 2006, the Indian rupee depreciated to Rs. 45.95 against 44.48 at March 31, 2006. As a result of these fluctuations in exchange rates during three months ended September 30, 2007 and September 30, 2006, loss on foreign exchange transactions was $1.2 million during the three months ended September 30, 2007 as compared to a loss of $1.9 million during the three months ended September 30, 2006.

Gain/(Loss) on foreign exchange forward and option contracts. Gain on foreign exchange forward and option contracts were $11.7 million during the three months ended September 30, 2007, as compared to gain on foreign exchange forward and option contracts were $1.7 million during the three months ended September 30, 2006. The increase in the gain/(loss) on foreign exchange forward and option contracts is primarily on account of gain on forward and options contracts due to rupee appreciation to Rs 39.75 as on September 30, 2007 from Rs 40.58 as on June 30, 2007 and as on September 30, 2006 rupee depreciated to Rs. 45.95 from Rs.45.87 as on June 30, 2006 and also due to increase in outstanding forward and option contracts by $625.2 million to $783.2 million as on September 30, 2007 from $158.0 million as on September 30, 2006.

Income taxes. Income taxes were $14.7 million during the three months ended September 30, 2007, representing an increase of 137.1% from $6.2 million during the three months ended September 30, 2006. The expiry of tax exemption benefit for seven of our STP units resulted in increase in income taxes by $7.4 million during the three months ended September 30, 2007 as compared to $1.9 million on account of expiry of tax exemption benefit for two of our STP units in Hyderabad and one unit in Bangalore during the three months ended September 30, 2006, which is offset by decrease in income of foreign branches primarily on account of rupee appreciation.

Equity in earnings/(losses) of associated companies, net of taxes. Equity in earnings/(losses) of associated companies was $(19) thousands during the three months ended September 30, 2007 as compared to $0.2 million during the three months ended September 30, 2006. Equity in earnings/(losses) of Satyam Venture Engineering Services Private Limited, or Satyam Venture, CA Satyam ASP Private Limited, or CA Satyam amounted to $(52) thousands, $32 thousands respectively, during the three months ended September 30, 2007 as compared to $0.2 million and $(30) thousands, respectively, during the three months ended September 30, 2006.

Net income. As a result of the foregoing, our net income was $101.8 million during the three months ended September 30, 2007, representing an increase of 55.4% over net income of $65.5 million during the three months ended September 30, 2006. As a percentage of total revenues, net income increased by 20.0% during the three months ended September 30, 2007 from 18.6% during the three months ended September 30, 2006.

Liquidity and Capital Resources

Net cash provided by operating activities

Net cash provided by operating activities was $138.3 million and $139.2 million during the six months ended September 30 2007 and 2006 respectively.

During the six months ended September 30, 2007, non-cash adjustments to reconcile the $195.0 million net income to net cash used in operating activities consisted primarily of depreciation and amortization expense of $19.4 million, stock-based compensation expense of $12.2 million and increase in net accounts receivable and unbilled revenues. Net accounts receivable and unbilled revenues increased by $80.3 million primarily as a result of an increase in our revenues and increase in collection period. Accounts payable and accrued expenses increased by $73.0 million primarily on account of provision for gratuity and unutilized leave by $9.9 million and increase in provision for taxation net of payments by $14.4 million and increase in accrued compensation and benefits by $13.2 million.

During the six months ended September 30, 2006, non-cash adjustments to reconcile the $141.0 million net income to net cash used in operating activities consisted primarily of depreciation and amortization expense of $16.4 million and increase in net accounts receivable and unbilled revenues. Net accounts receivable and unbilled revenues increased by $56.0 million primarily as a result of an increase in our revenues and increase in collection period. Accounts payable and accrued expenses increased by $48.8 million primarily on account of provision for gratuity and unutilized leave by $16.0 million increase in accrued compensation and benefits by $10.8 million and increase in taxes by $4.4 million.

Net cash used in investing activities

Net cash used in investing activities was $87.4 million and $42.8 million during the six months ended September 30, 2007 and 2006 respectively.

Net cash used in investing activities during the six months ended September 30, 2007 increased by $44.6 million to $87.4 million from $42.8 million during the six months ended September 30, 2006. This increase in net cash used in investing activities was primarily due to purchase of premises, plant and equipment of $42.1 million during the six months ended September 30, 2007 from $38.9 million during six months ended September 30, 2006 due to expansion of new facilities at Bangalore, Chennai, Hyderabad and Visakhapatnam and also due to acquisition of minority interest in Nipuna of $37.0 million.

Net cash used in investing activities during the six months ended September 30, 2006 increased by $2.9 million to $42.8 million from $39.9 million during the six months ended September 30, 2005. This increase in net cash used in investing activities was primarily due to increase in purchases of premises, plant and equipment to $38.9 million during the six months ended September 30, 2006 from $26.2 million during the six months ended September 30, 2005 due to purchase of premises and equipment, primarily infrastructure, computers and other equipment associated with the expansion of new facilities at Bangalore, Chennai, Hyderabad and

Visakhapatnam. The investing activities during the six months ended September 30, 2005 includes acquisition of Citisoft amounting to $12.1 million

Net cash used in financing activities

Net cash used in financing activities was $50.7 million and $18.2 million during the six months ended September 30, 2007 and 2006, respectively.

Net cash used in financing activities during the six months ended September 30, 2007, increased by $32.5 million to $50.7 million from $18.2 million during the six months ended September 30, 2006. This increase in net cash used in financing activities was primarily due to cash dividends paid amounting to $48.4 million during the six months ended September 30, 2007 as compared to $40.1 million during the six months ended September 30, 2006 and due to redemption of preferred stock of subsidiary for $13.8 million. We used cash in repayment of loans amounting to $9.5 million. This increase in net cash used in financing activities was offset by cash received from short term debt by Nipuna of $16.8 million.

During the six months ended September 30, 2006, $22.8 million was raised from financing activities. We received cash from issuance of associate stock options of $17.1 million, $1.4 million from short term debt by Nipuna and $4.3 million from long term debts by Nipuna. We used cash in repayment of loans amounting to $0.9 million. Cash dividends paid amounted to $40.1 million during the six months ended September 30, 2006 as compared to $25.2 million during the six months ended September 30, 2005.

As of September 30, 2007, we had cash and cash equivalents of $164.3 million, U.S. dollar denominated loans of Nipuna amounting to $21.3 million, short term borrowings of Nipuna amounting to $21.1 million and hire purchase loans amounting to $5.7 million with maturities ranging from one to three years. As of September 30, 2007, we had an unused non-funded lines of credit of $15.2 million from banks.

The following table describes our outstanding credit facilities as of September 30, 2007

Loan Type	Lenders	Amount outstanding	Interest (per annum)	Computation method
		(dollars in millions)		
Working capital term loan	BNP Paribas	$ 10.9	6 month LIBOR +0.95%	Floating
External commercial borrowing	BNP Paribas	10.4	6 month LIBOR +0.95%	Floating
Overdraft facility	BNP Paribas	21.1	6 month LIBOR +0.25%	Floating
Other loans	Various other parties	5.7	3.0%-14.5%	Fixed
Total		**$ 48.1**		

We anticipate capital expenditure of approximately $100.0 million in fiscal 2008 of which we have incurred $42.1 million during the six months ended September 30, 2007, principally to finance construction of new facilities in our offshore centers, expand facilities in offshore centers in India and establish offsite centers outside India. We believe that existing cash and cash equivalents and funds generated from operations will be sufficient to meet these requirements. However, we may significantly alter our proposed capital expenditures plans and accordingly, may require additional financing to meet our requirements. In either case, we cannot assure you that additional financing will be available at all or, if available, that such financing will be obtained on terms favorable to us or that any additional financing will not be dilutive to our shareholders.

The following table sets forth our contractual obligations and commitments to make future payments as of September 30, 2007. The following table excludes our accounts payable, accrued operating expenses and other current liabilities which are payable in normal course of operations.

	Payments due as at September 30, 2007,				
	Within 1 year	1-3 years	3-5 years	After 5 Years	Total
			(dollars in millions)		
Long-term debt	$ 2.3	$ 24.5	$ 0.2	—	$ 27.0
Operating leases	5.2	3.8	0.8	$ 0.6	10.4
Unconditional purchase obligations:					
Other commercial commitments	77.5	—	—	—	77.5
Bank guarantees	0.4	11.8	1.6	13.4	27.2
Gratuity Plan	2.8	7.4	11.8	27.0	49.0
Knowledge Dynamics deferred and earn-out consideration (1)	0.5	—	—	—	0.5
Total contractual cash obligations.	**$ 88.7**	**$ 47.5**	**$ 14.4**	**$ 41.0**	**$ 191.6**

(1) Earn-out consideration of Knowledge Dynamics is based on certain conditions.

(2) We anticipate to incur capital expenditure of $100 million in fiscal 2008 of which we have incurred $42.1 million during six months ended September 30, 2007.

Based on past performance and current expectations, we believe that our cash and cash equivalents and cash generated from operations will satisfy our working capital needs, capital expenditures, investment requirements, stock repurchases, commitments and other liquidity requirements associated with our existing operations through at least the next 12 months. In addition, there are no transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of our requirements for capital resources.

Research and Development

Our research and development efforts are focused on developing services required by our existing customers, to attract new customers and developing competencies and leadership in our service offerings. We have established close alliances with U.S. and Indian institutions such as Carnegie Mellon University and Indian Institute of Technology, Madras to strengthen our technology competencies. We have set up an enterprise business solution laboratory where latest versions of products are evaluated; business solution scenarios are created and validated. We have set up a grid computing laboratory which simulates a live grid environment for testing sample applications on the grid. We have also established a data warehousing and business intelligence center which has developed proprietary business intelligence architectural platform which enables us to build large scale data warehousing and business intelligence solutions. We are also working with major technology providers in the areas of technology architectures for .NET for solutions for various industries. In the embedded systems space, we have created an environment to simulate various operating conditions and validate the solutions we build. We have an applied research group which focuses on creating IP in the areas of competition, communication, networking and information processing algorithms. In addition to presenting papers at international conferences and publishing in referenced journals, this group has over 16 United States patent applications in various stages of registration. During six months ended September 30, 2007 and 2006 we spent 0.02% and 0.03% of our total revenues on research and development activities, respectively and 0.03% of total revenues for the year ended March 31, 2007.

Stock-based Compensation

Effective April 1, 2006, Satyam adopted the fair value recognition provisions of SFAS No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”). Prior to the adoption of SFAS 123R, Satyam recognized stock-based compensation using the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, “Accounting for Stock Issued to Employees” and related interpretations including Financial Accounting Standards Board (“FASB”) Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25, issued in March 2000 to account for its employee stock-based compensation plan. Satyam has therefore adopted the pro-forma disclosure requirements of SFAS No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”) and SFAS 148, Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123. Pursuant to SFAS 123, all equity instruments issued to non-employees are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. In March 2005, the SEC issued Staff Accounting Bulletin (“SAB”) No.107 (“SAB 107”) regarding the SEC’s interpretation of SFAS 123R and the valuation of share-based payments for public companies. Satyam has applied the provisions of SAB 107 in its adoption of SFAS 123R.

Satyam adopted SFAS 123R using the modified prospective transition method, which required the application of the accounting standard as of April 1, 2006, the first day of Satyam’s fiscal year 2007. Under this transition method, stock-based compensation expensed for the year ended March 31, 2007 includes a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123 and b) Stock-based compensation expenses for all stock-based compensation awards granted after April 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective transition method, Satyam’s Consolidated Financial Statements for the prior periods have not been restated to reflect and do not include, the impact of SFAS 123R.

We have five associate stock option plans. See “Item 6. Directors, Senior Management and Employees — Employee Benefit Plans” of our Form 20-F for the year ended March 31, 2007 filed with the SEC for more information.

Satyam's Consolidated Financial Statements as of and for the six months ended September 30, 2007 reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect and do not include, the impact of SFAS 123R. As required by SFAS 123(R), management has made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. Upon adoption of SFAS 123R, Satyam had no cumulative adjustment on account of expected forfeitures for stock-based awards granted prior to April 1, 2006. During the six months ended September 30, 2007, Satyam recorded stock-based compensation related to stock options of $12.2 million on a graded vesting basis for all unvested options granted prior to and options granted after the adoption of SFAS 123(R). As of September 30, 2007, there was $30.3 million of unrecognized compensation cost related to unvested options which is expected to be recognized over a weighted average period of 0.97 years.

The fair value of each option award is estimated on the date of grant using the Black Scholes option-pricing model. The following table gives the weighted-average assumptions used to determine fair value:

	Six months ended September 30, 2007
Dividend yield	0.78%
Expected volatility	56.64
Risk-free interest rate	8.00%
Expected term (in years)	0.97

Expected Term: The expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior.

Risk-Free Interest Rate: The risk-free interest rate is based on the applicable rates of government securities in effect at the time of grant.

Expected Volatility: The fair values of stock-based payments were valued using a volatility factor based on the Company's historical stock prices.

Expected Dividend: The Black Scholes option-pricing model calls for a single expected dividend yield as an input.

Estimated Pre-vesting Forfeitures: When estimating forfeitures, the Company considers voluntary termination behavior. Estimated forfeiture rates are trued-up to actual forfeiture results as the stock-based awards vest.

Effect of recently issued accounting pronouncements

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commencing April 1, 2008 for us. We are in the process of evaluating the impact SFAS 157 will have on our financial position, results of operations, liquidity and its related disclosures.

In February 2007, the FASB issued FASB Statement 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 allows the company to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commencing April 1, 2008 for us. We are in the process of evaluating the impact SFAS 159 will have on our financial position, results of operations, liquidity and its related disclosures.

Effects of Inflation

India has experienced relatively high rates of inflation in the past however it has not had a significant effect on our results of operations and financial condition to date.

Exchange Rates

The following table sets forth, for each of the months indicated, information concerning the number of Indian rupees for which one U.S. dollar could be exchanged based on the average of the noon buying rate in the City of New York on the last day of each month during each of such months for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York:

Month	Month end	Average	High	Low
		(Rupees)		
April-06	44.86	44.82	45.09	44.39
May-06	46.22	45.20	46.22	44.69
June-06	45.87	45.89	46.25	45.50
July-06	46.49	46.37	46.83	45.84
August-06	46.43	46.45	46.61	46.32
September-06	45.95	46.01	46.38	45.74
October-06	44.90	45.36	45.97	44.90
November-06	44.59	44.73	45.26	44.46
December-06	44.11	44.48	44.70	44.11
January-07	44.07	44.21	44.49	44.07
February-07	44.08	44.02	44.21	43.87
March-07	43.10	43.79	44.43	42.78
April-07	41.42	42.02	43.59	40.73
May-07	40.78	40.57	41.42	40.48
June-07	40.58	40.59	40.90	40.27
July-07	40.18	40.27	40.42	40.12
Aug-07	40.63	40.68	41.15	40.25
Sep-07	39.75	40.17	40.81	39.50

RISK MANAGEMENT POLICY

Our functional currency is the Indian rupee, however we transact a major portion of our business in U.S. dollars and other currencies and accordingly face foreign currency exposure from our sales in the United States and elsewhere and from our purchases from overseas suppliers in U.S. dollars and other currencies. Accordingly, we are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future.

We manage risk on account of foreign currency fluctuations through treasury operations. Our risk management strategy is to identify risks we are exposed to, evaluate and measure those risks, decide on managing those risks, regular monitoring and reporting to management. The objective of our risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater predictability and stability. Our risk management policies are approved by senior management and include implementing hedging strategies for foreign currency exposures, specification of transaction limits; specifying authority and responsibility of the personnel involved in executing, monitoring and controlling such transactions.

We enter into foreign exchange forward and options contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in U.S. dollars. We enter into foreign exchange forward and options contracts where the counter party is generally a bank. We consider the risks of non-performance by the counter party as non-material. These contracts mature between one and nine months. These contracts do not qualify for hedge accounting under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”, as amended (“SFAS 133”). Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS No. 133, is marked to market and recognized in earnings.

The following tables give details in respect of our outstanding foreign exchange forward and options contracts:

	As at September 30, 2007 Amount	As at September 30, 2006 Amount
	(dollars in millions)	
Aggregate contracted principal amounts of contracts outstanding:		
Forward contracts	$ 244.0	$ 65.0
Options contracts	539.2	93.0
Total	**$ 783.2**	**$ 158.0**
Gains/(loss) on outstanding contracts:		
Forward contracts	$ 18.2	$ (0.5)
Options contracts	(17.8)	(2.6)
Total	**$ (36.0)**	**$ (3.1)**

Gains/(losses) on foreign exchange forward and options contracts included in the statement of income and are as stated below:

	Three months ended September 30, 2007 Amount (unaudited)	Three months ended September 30, 2006 Amount (unaudited)	Six months ended September 30, 2007 Amount (unaudited)	Six months ended September 30, 2006 Amount (unaudited)
	(dollars in millions)		(dollars in millions)	
Forward contracts	$ 6.7	$ 0.4	$ 16.2	$ (1.3)
Options contracts	5.0	1.1	17.6	(1.9)
Total	**$ 11.7**	**$ 1.5**	**$ 33.8**	**$ (3.2)**

Off-Balance Sheet Arrangements

We currently do not engage in any off-balance sheet arrangements.

Foreign Currency Transactions/ Translation

During the six months ended September 30, 2007 and 2006, 68.5% and 77.7%, respectively, of our total revenues were generated in U.S. dollars. A significant amount of our expenses were incurred in Indian rupees and the balance was primarily incurred in U.S. dollars, European currencies and Japanese yen. Our functional currency and the functional currency for our subsidiaries located in India is the Indian rupee; however, U.S. dollar, Pound Sterling, Singapore Dollar and Renminbi are the functional currencies of our foreign subsidiaries located in the United States, United Kingdom, Singapore and China respectively. The translation of such foreign currencies into U.S. dollars (our reporting currency) is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using monthly simple average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income, a separate component of shareholders' equity.

We expect that a majority of our revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in Indian rupees. Consequently, our results of operations will be affected to the extent the rupee appreciates/ depreciates against the U.S. dollar.

The average exchange rate of rupee to U.S. dollar during the six months ended September 30, 2007 was Rs. 40.72 against Rs. 45.79 during the six months ended September 30, 2006. As at September 30, 2007, the rupee appreciated to Rs. 39.75 against Rs. 45.95 as at September 30, 2006 and against Rs. 43.10 as at March 31, 2007. As at September 30, 2006, the rupee depreciated to Rs. 45.95 against Rs. 44.48 as at March 31, 2006. As a result, loss on foreign exchange transactions was $24.1 million during the six months ended September 30, 2007 as compared to a gain of $12.8 million during the six months ended September 30, 2006.

Risk Factors

The following factors together with the other information contained in this Quarterly Report and other reports and documents submitted to, or filed with, the SEC, could affect our results. If any of the following risks actually occur, our company could be seriously harmed and the market price of our ADSs could decline.

Risks Related to Our Overall Operations

Our revenues and profitability are difficult to predict and can vary significantly from period to period which could cause our share price to decline significantly.

Our revenues and profitability have grown rapidly in recent years and may fluctuate significantly in the future from period to period. Therefore, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as an indication of our future performance. The quarterly fluctuation of revenues is primarily because we derive our revenues from fees for services generated on a project-by-project basis. Our projects vary in size, scope and duration. For example, we have some projects that employ several people for only a few weeks and we have other projects that employ over 100 people for six months or more. A customer that accounts for a significant portion of our revenue in a particular period may not account for a similar portion of our revenue in future periods. In addition, customers may cancel contracts or defer projects at any time for a number of different reasons. Furthermore, increasing wage pressures, employee attrition, pressure on billing rates, the time and expense needed to train and productively utilize new employees and changes in the proportion of services rendered offshore can affect our profitability in any period. There are also a number of factors, other than our performance, that are not within our control that could cause fluctuations in our operating results from period to period. These include (i) the duration of tax holidays or tax exemptions and the availability of other GoI incentives; (ii) currency fluctuations, particularly when the rupee appreciates in value against the U.S. dollar, since the majority of our revenues are in U.S. dollars and a significant part of our costs are in rupees; and (iii) other general economic and political factors. As a result, our revenues and our operating results in a particular period are difficult to predict, may decline in comparison to corresponding prior periods regardless of the strength of our business. If this were to occur, the share price of our equity shares and our ADSs would likely decline significantly.

Any inability to manage our rapid growth could disrupt our business and reduce our profitability.

We have experienced significant growth in recent periods. Our total revenues for the six months ended September 30, 2007 increased by 42.6% as compared to the six months ended September 30, 2006 and in fiscal 2007 our total revenues increased by 33.3% as compared to fiscal 2006. As of September 30, 2007, we had 45,237 associates, whom we refer to as associates, worldwide as compared to 34,405 associates as of September 30, 2006. In addition, we are continuing our geographical expansion. We now have offshore facilities in India and overseas facilities located in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States. We also have sales and marketing offices located in Brazil, Canada, Germany, Italy, the Netherlands, Saudi Arabia, Spain, Sweden, United Kingdom and United States and sales and marketing offices in the rest of the world. We have incurred $42.1 million of capital expenditure during the six months ended September 30, 2007 and $81.5 million in fiscal 2007 and in fiscal 2008 we expect to incur capital expenditure of approximately $100.0 million to finance the construction of new facilities and the expansion of our existing facilities in our offshore centers and to establish offsite centers outside of India.

We expect our growth to place significant demands on our management and other resources and to require us to continue to develop and improve our operational, financial and other internal controls, both in India and elsewhere. In particular, continued growth increases the challenges involved in:

- recruiting and retaining sufficiently skilled technical, marketing and management personnel;
- providing adequate training and supervision to maintain our high quality standards;
- preserving our culture and values and our entrepreneurial environment; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

Our inability to manage our growth effectively could disrupt our business and reduce our profitability.

The current economic environment, pricing pressure and rising wages in India have negatively impacted our revenues and operating results.

We do experience pricing pressures from our customers, which can negatively impact our operating results. If economic growth slows, our utilization and billing rates for our associates could be adversely affected which may result in lower gross and operating profits.

Wage costs in India, including in the IT services industry, have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive advantages. However, large companies are establishing offshore operations in India, resulting in wage pressures for Indian companies, which may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased cost of IT professionals, particularly project managers and other mid-level professionals. We may need to increase the levels of our employee compensation more rapidly than in the past to remain competitive with other employers, or seek to recruit in other low labor cost jurisdictions to keep our wage costs low. Compensation increases may result in a material adverse effect on our financial performance.

Our business will suffer if we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and the industries on which we focus.

The IT services market is characterized by rapid technological change, evolving industry standards, changing customer preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product and service offerings to meet customer needs and complement our offerings of end-to-end IT services. For example, we have invested significant resources in research and development efforts, such as in our enterprise business solution laboratory and grid computing laboratory, in order to continually develop capabilities to provide new services to our customers. Should we fail to develop such capabilities on a timely basis to keep pace with the rapidly changing IT market or if the services or technologies that we develop are not successful in the marketplace, our business and profitability will suffer and it is unlikely that we would be able to recover our research and development costs. Moreover, products, services or technologies that are developed by our competitors may render our services non-competitive or obsolete.

Our revenues are highly dependent on customers primarily located in the United States and customers concentrated in certain industries and economic slowdowns or factors that affect the economic health of the United States and our customers' industries may affect our business.

In the six months ended September 30, 2007 and in fiscal 2007 and 2006, approximately 60.1%, 63.2% and 64.9%, respectively, of our total revenues were derived from the United States. For the same periods, we earned 26.3%, 27.0% and 28.6% of our IT revenues from the manufacturing industry and 18.7%, 26.3% and 27.3%, of our IT revenues from the banking and finance and insurance industry respectively. If the growth in the United States does not continue, our customers may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability. Further, any significant decrease in the growth of the manufacturing or banking and finance industries, or significant consolidation in these industries, or other industry segments on which we focus, may reduce the demand for our services and negatively affect our revenues and profitability.

However, some countries and organizations have expressed concerns about a perceived association between offshore outsourcing and the loss of jobs. In the United States, in particular, there has been increasing political and media attention on these issues following the growth of offshore outsourcing. Any changes in existing laws or the enactment of new legislation restricting offshore outsourcing may adversely impact our ability to do business in the United States, which is the largest market for our services. In the recent past, some U.S. states have proposed legislation restricting government agencies from outsourcing their back office processes and IT solutions work to companies outside the United States or have enacted laws that limit or to discourage such outsourcing. Such laws restrict our ability to do business with U.S. government — related entities. It is also possible that U.S. private sector companies working with these governmental entities may be restricted from outsourcing projects related to government contracts or may face disincentives if they outsource certain projects. Any of these events could adversely affect our revenues and profitability. Similarly, legislation came into effect in the United Kingdom in April 2006 requiring offshore outsourcing providers in certain circumstances to compensate U.K. employees for loss of jobs arising from the offshore migration of business processes.

We face intense competition in the IT services and BPO markets which could prevent us from attracting and retaining customers and could reduce our revenues.

The markets for IT services and Business Process Outsourcing, or BPO, are rapidly evolving and highly competitive and we expect that competition will continue to intensify. We face competition in India and elsewhere from a number of companies, including:

- consulting firms such as Accenture, BearingPoint, Capgemini and Deloitte Consulting;
- divisions of large multinational technology firms such as Hewlett-Packard and IBM;
- IT outsourcing firms such as Computer Sciences Corporation, Electronic Data Systems and IBM Global Services; and
- offshore IT services firms such as Infosys Technologies Limited, Tata Consultancy Services Limited and Wipro Limited.

We also compete with software firms such as Oracle and SAP, service groups of computer equipment companies, in-house IT departments of large corporations, programming companies and temporary staffing firms. Nipuna Services Limited or Nipuna, our majority-owned subsidiary, through which we provide BPO services, faces competition from firms like Infosys BPO Limited formerly known as Progeon Limited and Wipro BPO, formerly known as Wipro Spectramind.

A significant part of our competitive advantage has historically been the cost advantage relative to service providers in the United States and Europe. Since wage costs in this industry in India are presently increasing at a faster rate than those in the United States and Europe, our ability to compete effectively will become increasingly dependent on our reputation, the quality of our services and our expertise in specific markets. Many of our competitors have significantly greater financial, technical and marketing resources than we have and generate greater revenues than we do and we cannot assure you that we will be able to compete successfully with such competitors and will not lose existing customers to such competitors. We believe that our ability to compete also depends in part on a number of factors outside our control, including the ability of our competitors to attract, train, motivate and retain highly skilled technical associates, the price at which our competitors offer comparable services and the extent of our competitors' responsiveness to customer needs.

Our revenues are highly dependent upon a small number of customers.

We derive a significant portion of our revenues from a limited number of corporate customers. In the six months ended September 30, 2007 and in fiscal 2007 and fiscal 2006, our largest customer together with its affiliates, accounted for 5.2%, 6.3% and 8.8%, respectively, of our total revenues. In the six months ended September 30, 2007 and in fiscal 2007 and fiscal 2006, our second largest customer accounted for 5.1%, 4.4% and 5.1%, respectively, of our total revenues. In the six months ended September 30, 2007 and in fiscal 2007 and fiscal 2006, our five largest customers accounted for 19.7%, 21.0% and 24.2% respectively, of our total revenues. The volume of work performed for specific customers is likely to vary from year to year, particularly since we are usually not the exclusive outside service provider for our customers.

There are a number of factors other than our performance that could cause the loss of a customer and that may not be predictable. In certain cases, we have significantly reduced the services provided to a customer when the customer either changed its outsourcing strategy by moving more work in-house or replaced its existing software with packaged software supported by the licensor. Some customers could also potentially develop competing offshore IT centers in India and as a result, work that may otherwise be outsourced to us may instead be performed in-house. Reduced technology spending in response to a challenging economic or competitive environment may also result in lower revenues or loss of a customer. If we lose one of our major customers or one of our major customers significantly reduces its volume of business with us, our revenues and profitability could be reduced.

Our fixed-price contracts expose us to additional risks, many of which are beyond our control, which may reduce the profitability of these contracts.

As a core element of our business strategy, we offer a portion of our services on a fixed-price basis, along-with a time-and-materials basis. In the six months ended September 30, 2007 and in fiscal 2007 and fiscal 2006, we derived 32.3%, 39.0% and 35.1%, respectively, of our IT services revenues from fixed-price contracts. Although we use our software engineering processes and past project experience to reduce the risks associated with estimating, planning and performing fixed-price projects, we bear the risk of cost overruns, completion delays and wage inflation in connection with these projects. We may also have to pay damages to our customers for completion delays. Many of these project risks may be beyond our control. Our failure to accurately estimate the resources and time required for a project, future wage inflation and currency exchange rates, or our failure to complete our contractual obligations within the time frame committed could reduce the profitability of our fixed-price contracts.

Our customers may terminate projects before completion or choose not to renew contracts, many of which are terminable at will, which could adversely affect our profitability.

Our contracts with customers do not commit our customers to provide us with a specific volume of business and can typically be terminated by our customers with or without cause, with little or no advance notice and without penalty. Any failure to meet a customer's expectations could result in a cancellation or non-renewal of a contract. Additionally, our contracts with customers are typically limited to a specific project and not any future work. Our multi-year contracts will be due for renewal from time to time and we cannot assure you that our customers will choose to renew such contracts for a similar or longer duration, on terms as favorable as their current terms or at all. Other than our performance, there are also a number of factors not within our control that could cause the loss of a customer. Our customers may demand price reductions, change their outsourcing strategy by moving more work in-house or to one of our competitors, or replace their existing software with packaged software supported by licensors, any of which could reduce our revenue and profitability.

A number of our customer contracts are conditioned upon our performance, which, if unsatisfactory, could result in less revenues than previously anticipated.

We have not yet offered any performance based or variable pricing terms to our customers. However, we continue to consider the viability of introducing performance-based or variable-pricing contracts. Should we use value-based pricing terms, it will become more difficult for us to predict the revenues we will receive from our customer contracts, as such contracts would likely contain a higher number of contingent terms for payment of our fees by our customers. Our failure to meet contract goals or a customer's expectations in such performance-based contracts may result in lower revenues and a less profitable or an unprofitable engagement.

Some of our multi-year customer contracts contain certain provisions which, if triggered, could result in lower future revenues and profitability under the contract.

Some of our multi-year customer contracts contain benchmarking provisions, most favored customer clause and/or provisions restricting personnel from working on projects of our customers' competitors. Benchmarking provisions allow a customer in certain circumstances to request a benchmark study prepared by an agreed upon third-party comparing our pricing, performance and efficiency gains for delivered contract services with that of an agreed list of other service providers for comparable services. Based on the results of the benchmarking study and depending on the reasons for any unfavorable variance, we may be required to make improvements in the services we provide or to reduce the pricing for services to be performed under the balance term of the contract, which may result in lower future revenues and profitability under the contract.

Most favored customer clauses generally provide that if, during the term of the contract, we were to offer similar services to any other customers on terms and conditions more favorable than those provided in such contract, we would be obligated to offer equally favorable terms and conditions to the customer. As pricing pressures increase, some customers may demand price reductions or other pricing incentives. Any pricing reduction agreed to in a subsequent contract may require us to offer equally favorable terms to other customers with whom we have a most favored contract under the remaining term of contracts with those customers which may result in lower future revenues and profitability.

The contracts containing benchmarking provisions/most favored customer/and other similar clauses impact new projects or future services on existing projects and do not impact the terms of previously delivered projects/services. The most favored customer clause provides that the Company will offer the best pricing to a new customer if they are identified as a most favored customer. If an existing customer is granted a most favored customer status, the revised terms would apply to the services rendered to such customer after the grant of the most favored customer status. This clause is triggered if a similar contract is negotiated at a lower rate with a new / existing customer having similar volume, skill set, services offered, geography and domain. The reduction in the rates for a most favored customer would be applicable only from the time the Company offers a lower rate to any other customer who enters into a contract similar in nature to the most favored customer.

Historically no delivery / price adjustments have been required to be made on account of any of these clauses and we do not anticipate that these clauses will have a material future effect on our financial condition and results of operations.

A number of our customer contracts provide that, during the term of the contract and for a certain period thereafter ranging from six to twelve months, we may not provide similar services to any of their competitors using the same personnel. This restriction may hamper our ability to compete for and provide services to customers in the same industry, which may result in lower future revenues and profitability.

We may be unable to attract skilled professionals in the competitive labor market.

Our ability to execute projects and to obtain new customers depends largely on our ability to attract, train, motivate and retain highly skilled technical associates, particularly project managers, project leaders and other senior technical personnel. We believe that there is significant competition for technical associates who possess the skills needed to perform the services that we offer. An inability to hire and retain additional qualified personnel will impair our ability to bid for or obtain new projects and to continue to expand our business. Also, we cannot assure you that we will be able to assimilate and manage new technical associates effectively. In the six months ended September 30, 2007 and in fiscal 2007 and fiscal 2006, we experienced associate attrition in the IT services segment at a rate of 13.9%, 15.7% and 19.2%, respectively. Any increase in our attrition rates, particularly the attrition rate of experienced software engineers, project managers and project leaders, could harm our growth strategy. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of replacement technical associates with the requisite skills to replace those technical associates who leave. Further, we cannot assure you that we will be able to redeploy and retrain our technical associates to keep pace with continuing changes in evolving technologies and changing customer preferences. Should we be unable to successfully recruit, retain, redeploy or retrain our technical associates, we may become less attractive to potential customers and may fail to satisfy the demands of existing customers, which would result in a decrease in revenues and profitability.

We dedicate significant resources to develop international operations which may be more difficult to manage and operate.

In addition to our offshore IT centers in India, we have established IT centers in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States and plan to open additional international facilities. Because of our limited experience in managing and operating facilities outside of India, we are subject to additional risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws, restrictions on the import and export of certain technologies and multiple and possibly overlapping tax structures. In addition, we may face competition in other countries from companies that may have more experience with local conditions or with international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture.

We are investing substantial cash assets in new facilities and physical infrastructure and our profitability could be reduced if our business does not grow proportionately.

As of September 30, 2007, we had contractual commitments of approximately $77.5 million for capital expenditures and we estimate spending a further $100 million in fiscal 2008. We may encounter cost overruns or project delays in connection with new facilities. These expansions will significantly increase our fixed costs. If we are unable to grow our business and revenues proportionately, our profitability will be reduced.

Restrictions on immigration may affect our ability to compete for and provide services to customers in the United States and in other countries, which could hamper our growth and cause our revenues to decline.

The vast majority of our associates are Indian nationals. Most of our projects require a portion of the work to be completed at the customer's location which is typically outside India. The ability of our associates to work in the United States, Europe and in other countries outside India depends on the ability to obtain the necessary visas and work permits. As of September 30, 2007, the majority of our associates located outside India was in the United States and held either H-1B visas or L-1 visas, allowing the employee to remain in the United States during the term of the work permit only temporarily. Although there is no limit to new L-1 visas, there is a limit to the aggregate number of new H-1B visas that the U.S. Citizenship and Immigration Services, or CIS, may approve in any government fiscal year. The 2005 Appropriations Bill further precludes foreign companies from obtaining L-1 visas for employees with specialized knowledge: (1) if such employees will be stationed primarily at the worksite of another company in the U.S. and the employee will not be controlled and supervised by his employer, or (2) if the placement is essentially an arrangement to provide labor for hire rather than in connection with the employee's specialized knowledge. The CIS has also issued new guidelines to more closely verify the qualifying criteria to restrict the liberal usage of L1visas. Immigration laws in the United States may also require us to meet certain levels of compensation and to comply with other legal requirements including labor certifications as a condition to obtaining or maintaining work visas for our associates working on H-1B in the United States. The CIS announced on April 3, 2007 that it had received sufficient applications to fill up all 65,000 visas that were available for the year. A notification by the US Citizenship and Immigration Services (USCIS) that it will apply a lottery system if the number of H1-B applications exceed the annual 65,000 quota has led to a scramble among IT firms and their attorneys to line up applications to the USCIS office.

Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and labour and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our employees. Our reliance on work visas for a significant number of associates makes us particularly vulnerable to such changes and variations as it affects our ability to staff projects with associates who are not citizens of the country where the work is to be performed. As a result, we may not be able to obtain a sufficient number of visas for our associates or may encounter delays or additional costs in obtaining or maintaining the condition of such visas.

We may engage in acquisitions, strategic investments, strategic partnerships or alliances or other ventures that may or may not be successful.

We may acquire or make strategic investments in complementary businesses, technologies, services or products, or enter into strategic partnerships or alliances with third parties in order to enhance our business. It is possible that we may not be able to identify suitable acquisitions targets and candidates for strategic investments or partnerships, or if we do identify such targets or candidates, we may not be able to complete those transactions on terms commercially acceptable to us, or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may affect our competitiveness and our growth prospects. As of the date of this document, we have no agreements or understanding to enter into any material acquisition, investment, partnership, joint venture or alliance.

If we acquire a company, we could have difficulty in assimilating that company's personnel, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us. In some cases, we could have difficulty in integrating the acquired products, services or technologies into our operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

We may make strategic investments in early-stage technology start-up companies in order to gain experience in or exploit niche technologies. However, our investments may not be successful. The lack of profitability of any of our investments could have a material adverse effect on our operating results.

System failure could disrupt our business.

To deliver our services to our customers, we must maintain a high speed network of satellite, fiber optic and land lines and an active voice and data communications 24 hours a day between our main offices in Hyderabad, our other IT centers in India and globally and the offices of our customers worldwide. Any systems failure or a significant lapse in our ability to transmit voice and data through satellite and telephone communications could result in lost customers and curtailed operations which would reduce our revenue and profitability.

We may be liable to our customers for damages caused by disclosure of confidential information or system failure.

We are often required to collect and store sensitive or confidential customer and consumer data. Many of our customer agreements do not limit our potential liability for breaches of confidentiality. If any person, including any of our associates, penetrates our network security or misappropriates sensitive data, we could be subject to significant liability from our customers or from our customers' clients for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential customer and consumer data, whether through breach of our computer systems, system failure or otherwise, could damage our reputation and cause us to lose customers. Many of our contracts involve projects that are critical to the operations of our customers' businesses and provide benefits which may be difficult to quantify. Any failure in a customer's system or breaches of security could result in a claim for substantial damages against us, regardless of our alleged responsibility for such failure. Generally, we attempt to limit our contractual liability for consequential damages in rendering our services; however these limitations on liability may be unenforceable in some cases, or may be insufficient to protect us from liability for damages. In respect of some of our contracts, we sub-contract a part of the work to certain sub-contractors. We are liable to our customers for any breach or non-performance by our sub-contractors under the sub-contracts. We maintain general liability insurance coverage, including coverage for errors and omissions; however this coverage may not continue to be available on reasonable terms and may be unavailable in sufficient amounts to cover one or more large claims. Further, an insurer might disclaim coverage as to any future claim. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or results in changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our operating results and profitability.

Our success depends in large part upon our management team and key personnel and our ability to attract and retain them.

We are highly dependent on the senior members of our management team. Our future performance will be affected by any disruptions in the continued service of these persons. We do not maintain key man life insurance for any of the senior members of our management team or other key personnel, except for our chief executive officer. Competition for senior management in our industry is intense and we may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. The loss of any member of our senior management team or other key personnel may have a material adverse effect on our business, results of operations and financial condition.

Our insiders, who are significant shareholders, are able to influence the election of our board and may have interests which conflict with those of our shareholders or holders of our ADSs.

Our executive officers and directors, together with members of their immediate families, beneficially owned, in the aggregate approximately 0.24% of our outstanding equity shares as of September 30, 2007. In addition, two of our executive directors control SRSR Holdings Private Limited, which holds approximately 8.36% of our outstanding equity shares as of September 30, 2007. As a result, acting together, this group has the ability to exercise influence over most matters requiring our shareholders' approval, including the election and removal of directors and significant corporate transactions. These insider shareholders may exercise influence even if they are opposed by our other shareholders. Without the consent of these insider shareholders, we could be delayed or prevented from entering into transactions (including the acquisition of our company by third parties) that may be viewed as beneficial to us and our shareholders.

The value of our interest in our subsidiaries may decline.

Nipuna, our subsidiary, has experienced losses during each year since its inception and it is likely that it will continue to experience such losses in the future. Our recently acquired subsidiaries, Citisoft and Knowledge Dynamics have also experienced losses since our acquisition and they may also incur losses that might have an adverse effect on our operating results in future periods.

***Impairment of goodwill on account of our investments may impact our net income under U.S. GAAP*.**

We make estimates in the preparation of financial statements including the utility of goodwill. Changes in such estimates resulting from events, many of which are outside of our control, may result in the impairment of goodwill which would negatively impact our net income under U.S. GAAP. Such impact on net income may result in a reduction of the market value of our shares.

Stock-based compensation expenses may significantly reduce our net income.

Although we have suspended, except in certain cases, new grants of stock options as of April 1, 2005, our reported income has been and will continue to be affected by the grant of warrants or options under our various employee benefit plans. Under the terms of our existing plans, some of which have outstanding obligations to grant options in future, employees are typically granted warrants or options to purchase equity shares at a substantial discount to the current market value. Effective April 1, 2006, we adopted the fair value recognition provisions of SFAS 123R. We adopted SFAS 123R using the modified prospective transition method, which required the application of the accounting standard as of April 1, 2006, the first day of our fiscal year 2007. Under this transition method, stock-based compensation expensed for the year ended March 31, 2007 includes

a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123 and

b) Stock-based compensation expenses for all stock-based compensation awards granted after April 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective transition method, our consolidated financial statements for the prior periods have not been restated to reflect and do not include, the impact of SFAS 123R. Depending on the grant date fair value and future grants are made, amortization of deferred stock-based compensation may contribute to reducing our operating income and net income. Our subsidiaries also have stock option schemes which may generate stock-based compensation expenses and which have and in the past reduced, and may in the future reduce our operating income and net income.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, the SEC, regulations, the New York Stock Exchange or NYSE, rules, Securities and Exchange Board of India, or SEBI, rules and Indian stock market listing regulations are creating uncertainty for companies like ours. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

In particular, our efforts to continue to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment requires the commitment of significant financial and managerial resources. We consistently assess the adequacy of our internal controls over financial reporting, remediate any control deficiencies that may be identified and validate through testing that our controls are functioning as documented. While we currently do not have any material weaknesses there can be no assurance that future tests will not result in our independent auditors being unable to issue unqualified attestation reports on management's assessment on the operating effectiveness of our internal controls over financial reporting.

Additionally, under revised corporate governance standards adopted by Bombay Stock Exchange Ltd., or BSE and The National Stock Exchange of India Limited, or NSE, which we collectively refer to as the Indian Stock Exchanges, we have been required to comply with additional standards from December 31, 2005. These standards include a certification by our chief executive officer and chief financial officer that they have evaluated the effectiveness of our internal control systems and that they have disclosed to our auditors and our audit committee any deficiencies in the design or operation of our internal controls of which they may become aware, as well as any steps taken or proposed to resolve the deficiencies.

We are committed to maintaining high standards of corporate governance and public disclosure and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, the new laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws, regulations or standards of corporate governance, our business and reputation may be harmed.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic issuer, which may, among other things, limit the information available to holders of our securities.

As a foreign private issuer, we are subject to requirements under the Securities Act of 1933, as amended, or Securities Act and the Securities Exchange Act of 1934, as amended, or Exchange Act, which are different from the requirements applicable to domestic U.S. issuers. For example, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules there under with respect to their purchases and sales of our equity shares and/or ADSs. The periodic disclosure required of foreign private issuers is more limited than the periodic disclosure required of domestic U.S. issuers and therefore there may be less publicly available information about us than is regularly published by or about U.S. public companies in the United States.

Terrorist attacks or a war could adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the attacks of September 11, 2001 in the United States and other acts of violence or war, such as the continuing conflict in Iraq, have the potential to have a direct impact on our customers. To the extent that such attacks affect or involve the United States, our business may be significantly impacted, as the majority of our revenues are derived from customers located in the United States. In addition, such attacks may make travel more difficult, may make it more difficult to obtain work visas for many of our associates who are required to work in the United States and may effectively curtail our ability to deliver our services to our customers. Such obstacles to operate our business may increase our expenses and negatively affect the results of our operations. Many of our customers visit several IT services firms, including their offshore facilities, prior to reaching a decision on vendor selection. Terrorist threats, attacks or war could make travel to our facilities more difficult for our customers and may delay, postpone or cancel decisions to use our services.

Risks Related to Investments in Indian Companies

We are incorporated in India and a substantial portion of our assets and our employees are located in India. Consequently, our financial performance and the market price of our ADSs will be affected by changes in exchange rates and controls, interest rates, GoI policies, including taxation policies, as well as political, social and economic developments affecting India.

The actions of GOI to curtail or eliminate tax benefits that we have historically benefited from.

The statutory corporate income tax rate in India is currently 30.0%. This tax rate is presently subject to a 10.0% surcharge. The amount of tax and surcharge payable is further subject to a 3.0% education cess, resulting in an effective tax rate of 33.99%. We benefit from tax incentives provided to software entities such as an exemption from payment of Indian corporate income taxes until the earlier of fiscal 2009 or 10 consecutive years of operations for software development facilities designated as "Software Technology Parks," or STP units. The benefits of this tax incentive have historically resulted in our effective tax rate being well below statutory rates. The exemption for our STP units was reduced from 100.0% to 90.0% for the fiscal 2003. The exemption for two of our STP units in Hyderabad and one in Bangalore expired at the beginning of fiscal 2006 and one in Hyderabad, Chennai, Pune and Bhubaneswar expired at the beginning of fiscal 2007 and the exemption for balance of our STP units will expire in fiscal 2008 and fiscal 2009. We also earn certain other foreign income and domestic income, which is taxable irrespective of the above tax exemption.

When our tax holidays expire or terminate, our tax expense will materially increase, reducing our profitability. We cannot assure you as to what action the present or future governments of India will take regarding tax incentives for the IT industry.

Foreign investment restrictions under Indian law may adversely impact the value of our ADSs, including, for example, restrictions that limit your ability to reconvert equity shares into ADSs, which may cause our equity shares to trade at a discount or premium to the market price of our ADSs.

Our equity shares are listed and traded on the Indian Stock Exchanges and they may trade on these stock exchanges at a discount or premium to the ADSs traded on the NYSE, in part because of restrictions on foreign ownership of the underlying shares.

Our ADSs are freely convertible into our equity shares under the deposit agreement governing their issuance, or the Deposit Agreement. The Reserve Bank of India, or RBI, prescribes fungibility regulations permitting, subject to compliance with certain terms and conditions, the reconversion of equity shares to ADSs provided that such equity shares are purchased from an Indian Stock Exchange through stock brokers and the actual number of ADSs outstanding after such reconversion is not greater than the original number of ADSs outstanding. If you elect to surrender your ADSs and receive equity shares, you will only be able to trade those equity shares on an Indian Stock Exchange and, under present law, it is unlikely you will be permitted to reconvert those equity shares to ADSs. Additionally, investors who exchange ADSs for the underlying equity shares and are not holders of record will be required to declare to us details of the holder of record and the holder of record will be required to disclose the details of the beneficial owner. Any investor who fails to comply with this requirement may be liable for a fine of up to Rs.1,000 for each day such failure continues. Such restrictions on fungibility of the underlying equity shares to ADSs may cause our equity shares to trade at a discount or premium to the ADSs.

The sale of equity shares underlying the ADSs by a person not resident in India to a resident of India does not require the prior approval of the RBI, provided such sales are effected through the Indian Stock Exchanges. Any sale of such underlying equity shares by a person not resident in India to a resident of India outside of the Indian Stock Exchanges can, however, be completed without prior RBI approval, provided such equity shares are transferred based on a pricing formula established by the Indian foreign exchange laws which set a maximum price requirement for sale of such equity shares.

Regional conflicts or natural disasters in South Asia and elsewhere could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. In recent years there have been military confrontations between India and Pakistan that have occurred in the region of Kashmir and along the India-Pakistan border. There has also been a recent increase in the incidence of terrorist attacks in India, including bombings at Delhi, Mumbai and Hyderabad. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a perception that investments in Indian companies involve higher degrees of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs and on the market for our services. In addition, as an international company, our offshore and onsite operations may be impacted by natural disasters such as earthquakes, tsunamis, floods, disease and health epidemics. In December 2004, certain parts of India were severely affected by a tsunami triggered by an earthquake in the Indian Ocean and in October 2005, certain parts of northern India, Pakistan and Afghanistan were severely devastated by a major earthquake. Though our operations were not affected by these disasters, we cannot guarantee that in the future our operations will not be affected by the effect such natural disasters may have on the economies of India and other countries in the region.

Political instability could seriously harm business and economic conditions in India generally and our business in particular.

During the past decade, the GoI has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The general elections in 2004 for the lower house of the Indian Parliament resulted in no party winning an absolute majority and a coalition government has been formed. We cannot assure you that these liberalization policies will continue in the future. Government corruption scandals and protests against privatization could slow down the pace of liberalization and deregulation. The rate of economic liberalization could change and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and our business in particular.

Currency exchange rate fluctuations may affect the value of our ADSs and our financial condition.

Our functional currency is the Indian rupee, although we transact a major portion of our business in U.S. dollars and several other currencies and accordingly face foreign currency exposure through our sales in the United States and elsewhere and purchases from overseas suppliers in U.S. dollars and other currencies. Historically, we have held a substantial majority of our cash funds in rupees. Accordingly, changes in exchange rates may have a material adverse effect on our revenues, other income, cost of services sold, gross margin and net income, which may in turn have a negative impact on our business, operating results and financial condition.

The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. In the six months ended September 30, 2007 and in fiscal 2007 and fiscal 2006, our U.S. dollar-denominated revenues represented 71.0%, 74.7% and 77.6%, respectively, of our total revenues. We expect that a majority of our revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, our results of operations will be adversely affected to the extent that the rupee appreciates against the U.S. dollar. Depreciation of the rupee will result in foreign currency translation losses in respect of foreign currency borrowings, if any.

We have sought to reduce the effect of exchange rate fluctuations on our operating results by entering into foreign exchange forward and options contracts to cover a portion of outstanding accounts receivable of Satyam Computer Services. As of September 30, 2007 and 2006, we had outstanding forward and options contracts in the amount of $783.2 million and $158.0 million, respectively. We may not be able to purchase contracts adequate to insulate ourselves from foreign exchange currency risks. Additionally, the policies of the RBI may change from time to time which may limit our ability to hedge our foreign currency exposures adequately.

Fluctuations in the exchange rate between the rupee and the U.S. dollar will also affect the U.S. dollar conversion by our Depositary of any cash dividends paid in rupees on the equity shares represented by the ADSs. In addition, fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of our equity shares on the Indian Stock Exchanges. As a result, these fluctuations are likely to affect the prices of our ADSs. These fluctuations will also affect the dollar value of the proceeds a holder would receive upon the sale in India of any equity shares withdrawn from our Depositary under the deposit agreement. We cannot assure you that holders of ADSs will be able to convert rupee proceeds into U.S. dollars or any other currency or with respect to the rate at which any such conversion could occur. In addition, our market valuation could be seriously harmed by the devaluation of the rupee if U.S. investors analyze our value based on the U.S. dollar equivalent of our financial condition and results of operations.

Our ability to acquire companies organized outside India as part of our growth strategy depends on the approval of the GoI and/or the RBI and failure to obtain this approval could negatively impact our business.

We have developed a growth strategy based on, among other things, expanding our presence in existing and new markets and selectively pursuing joint venture and acquisition opportunities. Foreign exchange laws in India presently permit Indian companies to acquire or invest in foreign companies without any prior governmental approval if the transaction amount does not exceed 400% of the networth of the acquiring company as of the date of its most recent audited balance sheet. If consideration for the transaction is paid out of the proceeds of an American Depositary Receipt, or ADR, or Global Depositary Receipt, or GDR sale, Indian exchange control laws do not impose any investment limits. Acquisitions in excess of the 400% net worth threshold require prior RBI approval. It is possible that any required approval from the RBI may not be obtained. Our failure to obtain approvals for acquisitions of companies organized outside India may restrict our international growth, which could negatively affect our business and prospects.

If we are unable to protect our intellectual property rights, or if we infringe on the intellectual property rights of others, our business may be harmed.

The laws of India do not protect intellectual property rights to the same extent as the laws in the United States. Further, the global nature of our business makes it difficult for us to control the ultimate destination of our products and services. The misappropriation or duplication of our intellectual property could curtail our operations or reduce our profitability.

We rely upon a combination of non-disclosure and other contractual arrangements and copyright, trade secret and trademark laws to protect our intellectual property rights. Ownership of software and associated deliverables created for customers is generally retained by or assigned to our customers and we do not retain an interest in such software and deliverables.

We have registered “Satyam” and other related marks in India and the United States under certain classes and have applied for the registration of such marks in other jurisdictions where we carry on business. We currently require our technical associates to enter into non-disclosure and assignment of rights agreements to limit use of, access to and distribution of confidential and proprietary information. We cannot assure you that the steps taken by us in this regard will be adequate to prevent misappropriation of confidential and proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services and products do not infringe upon the intellectual property rights of others, we cannot assure you that such a claim will not be asserted against us in the future. Assertion of such claims against us could result in litigation and we cannot assure you that we would prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party on reasonable commercial terms.

We expect that the risk of infringement claims against us will increase if more of our competitors are able to obtain patents for software products and processes. Any such claims, regardless of their outcome, could result in substantial cost to us and divert management’s attention from our operations. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any infringement claim or litigation against us could therefore result in substantial costs and diversion of resources.

Indian laws limit our ability to raise capital outside India and may limit the ability of others to acquire us, which could prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.

Presently, Indian technology companies such as ours are able to raise capital outside of India without the prior approval of any Indian governmental authority through an ADR or GDR issuance or an issuance of convertible debt securities, subject with respect to convertible debt issuances to a limit of $500 million in any fiscal year. Changes to Indian foreign exchange laws may create restrictions on our capital raising abilities. For example, a limit on the foreign equity ownership of Indian technology companies may constrain our ability to seek and obtain additional equity investment by foreign investors. In addition, these restrictions, if applied to us, may prevent us from entering into certain transactions, such as an acquisition by a non-Indian company, which might otherwise be beneficial for us and the holders of our equity shares and ADSs.

Conditions in the Indian securities market may affect the price or liquidity of our equity shares and our ADSs.

The Indian securities markets are smaller and more volatile than securities markets in more developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities and the price of our equity shares has been especially volatile. The high and low prices of our shares on the BSE from fiscal 2003 until the latest practicable date are set forth in the table below.

Fiscal Year	High Rs	$ equivalent	Low Rs.	$ equivalent
2003	145.9	3.1	87.6	1.8
2004	195.5	4.5	63.7	1.5
2005	221.0	5.1	125.0	2.9
2006	431.0	9.7	182.2	4.1
2007	524.9	12.2	270.5	6.3
2008 (through October 23, 2007)	522.3	13.0	401.5.	10.1

On October 23, 2007**,** the closing price of our shares on the BSE was Rs. 461.75. For comparison purposes, these prices have been adjusted to give effect to our October 10, 2006 two-for-one stock split (in the form of stock dividend). The prices of our shares have been translated into U.S. dollars based on the noon-buying rate as certified by the Federal Reserve Bank of New York on the last date of each period presented.

The Indian Stock Exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, the suspension of stock exchange administration, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian Stock Exchanges have, from time to time, restricted securities from trading, limited price movements and restricted margin requirements. Moreover, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of our equity shares and our ADSs.

It may be difficult for you to enforce any judgment obtained in the United States against us or our affiliates.

We are incorporated under the laws of the Republic of India. Many of our directors and key managerial personnel and some of the experts named in this document reside outside the United States. In addition, virtually all of our assets and the assets of many of these persons are located outside the United States. As a result, you may be unable to:

(i) effect service of process upon us outside India or these persons outside the jurisdiction of their residence; or

(ii) enforce against us in courts outside India or these persons outside the jurisdiction of their residence, judgments obtained in United States courts, including judgments predicated solely upon the federal securities laws of the United States.

We have been advised by our Indian Counsel, that the United States and India do not have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on civil liability, whether or not predicated solely upon the federal securities laws of the United States, may not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment which has been obtained in the United States. If and to the extent Indian courts were of the opinion that fairness and good faith so required, it would, under current practice, give binding effect to the final judgment which had been rendered in the United States unless such a judgment was founded on a claim which breached the laws of India.

You may be subject to Indian taxes arising out of capital gains on the sale of the underlying equity shares.

Generally, capital gains, whether short-term or long-term, arising from the sale of the underlying equity shares in India are subject to Indian capital gains tax. For the purpose of computing the amount of capital gains subject to tax, Indian law specifies that the cost of acquisition of the equity shares will be deemed to be the share price prevailing on the BSE or the NSE on the date the Depositary advises the custodian to exchange receipts for underlying equity shares. The period of holding of such equity shares, for determining whether the gain is long-term or short-term, commences on the date of the giving of such notice by our Depositary to the custodian. With effect from October 1, 2004, any gains realized on the sale of listed equity shares held for more than 12 months to an Indian resident, or a non-resident investor in India, will not be subject to Indian capital gains tax if the securities transaction tax has been paid on the transaction. Investors are advised to consult their own tax advisors and to consider carefully the potential tax consequences of an investment in our ADSs.

There may be less company information available in Indian securities markets than securities markets in other countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed economies. SEBI is responsible for improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed economies.

Risk Related to our ADSs and our Trading Market

Historically, our ADSs have traded at a significant premium to the trading prices of our underlying equity shares, a situation which may not continue.

Historically, our ADSs have traded on the NYSE at a substantial premium to the trading prices of our underlying equity shares on the Indian Stock Exchanges. We believe that this price premium has resulted from the relatively small portion of our market capitalization represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs and an apparent preference for some investors to trade U.S. dollar-denominated securities. Over time, some of the restrictions on the issuance of the ADSs imposed by Indian law have been relaxed and we expect that other restrictions may be relaxed in the future. As a result, the historical premium enjoyed by ADSs as compared to equity shares may be reduced or eliminated due to our sponsored ADS offering or similar transactions in the future, a change in Indian law permitting further conversion of equity shares into ADSs or changes in investor preferences.

You may be restricted in your ability to exercise preemptive rights under Indian law and thereby may suffer future dilution of your ownership position.

Under the Companies Act, 1956 of India, or the Companies Act, a company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the preemptive rights have been waived by adopting a special resolution by holders of three-fourths of the shares which are voted on the resolution. You may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any given registration statement as well as the perceived benefits of enabling the holders of our ADSs to exercise their preemptive rights and any other factors that we deem appropriate to consider at the time the decision must be made. We may elect not to file a registration statement relating to preemptive rights otherwise available by law to you. In the case of future issuances, the new securities may be issued to our Depositary, which may sell the securities for your benefit. The value, if any, our Depositary would receive upon the sale of such securities cannot be predicted. To the extent that you are unable to exercise preemptive rights granted in respect of the equity shares represented by your ADSs, your proportional interests in our company would be reduced.

Holders of ADSs may be restricted in their ability to exercise voting rights.

At our request, our Depositary will mail to you any notice of shareholders' meeting received from us together with information explaining how to instruct our Depositary to exercise the voting rights of the securities represented by ADSs. If our Depositary timely receives voting instructions from you, it will endeavor to vote the securities represented by your ADSs in accordance with such voting instructions. However, the ability of our Depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to our Depositary in a timely manner. Securities for which no voting instructions have been received will not be voted.

Under Indian law, subject to the presence in person at a shareholder meeting of persons holding equity shares representing a quorum, all resolutions proposed to be approved at that meeting are voted on by a show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least 10.0% of the total shares entitled to vote on the resolution or by those holding shares with an aggregate paid up value of at least Rs. 50,000. Equity shares not represented in person at the meeting, including equity shares underlying ADSs for which a holder has provided voting instructions to our Depositary, are not counted in a vote by show of hands. As a result, only in the event that a shareholder present at the meeting demands that a poll be taken will the votes of ADS holders be counted. Securities for which no voting instructions have been received will not be voted on a poll.

As a foreign private issuer, we are not subject to the SEC's proxy rules, which regulate the form and content of solicitations by U.S.- based issuers of proxies from their shareholders. To-date, our practice has been to provide advance notice to our ADS holders of all shareholder meetings and to solicit their vote on such matters through our Depositary and we expect to continue this practice. The form of notice and proxy statement that we have been using does not include all of the information that would be provided under the SEC's proxy rules.

An active or liquid trading market for our ADSs is not assured.

We cannot predict the extent to which an active, liquid public trading market for our ADSs will exist. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The lack of an active, liquid trading market could result in the loss of market makers, media attention and analyst coverage. If there is no longer a market for our equity shares, or if we fail to continue to meet eligibility requirements, we may be required to delist from the NYSE and this may cause our share prices to decrease significantly. In addition, if there is a prolonged decline in the price of our equity shares, we may not be able to issue equity securities to fund our growth, which would cause us to limit our growth or to incur higher cost funding, such as short-term or long-term debt.

Liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. Although you are entitled to withdraw the equity shares underlying the ADSs from our Depositary at any time, there is no public market for our equity shares in the United States.

The future sales of securities by our company or existing shareholders may harm the price of our ADSs or our equity shares.

The market price of our ADSs or our equity shares could decline as a result of sales of a large number of ADSs or equity shares or the perception that such sales could occur. Such sales also might make it more difficult for us to sell ADSs or equity securities in the future at a time and at a price that we deem appropriate. As of September 30, 2007, we had an aggregate of equity shares outstanding of 666,253,897 (excluding 2,295,880 equity shares held by the Satyam Associate Trust), which includes underlying equity shares of 130,314,742 represented by 65,157,371 ADSs. In addition, as of September 30, 2007 we had outstanding options to purchase approximately 24,389,381 of our equity shares. All ADSs are freely tradable, other than ADSs purchased by our affiliates. The remaining equity shares outstanding may be sold in the United States only pursuant to a registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act.

Item 3: Quantitative and Qualitative Disclosure about Market Risk

Our currency, maturity and interest rate information relative to our short-term and long-term debt are disclosed in Note. 12 "Borrowings" to our consolidated financial statements.

The table below provides information about our financial instruments that are sensitive to changes in interest rates and foreign currencies as of the dates shown. Weighted average variable rates were based on average interest rates applicable to the loans. The information is presented in U.S. dollars, which is our reporting currency, based on the applicable exchange rates as of the relevant period end. Actual cash flows are denominated in various currencies, including U.S. dollars and Indian rupees.

	As at September 30,					
	2007 (unaudited)			2006 (unaudited)		
	Total Recorded Amount		Fair Value	Total Recorded Amount		Fair Value
	(dollars in millions)					
Debt:						
Variable rate short-term debt	$21.1		$21.1	$ 5.3		$ 5.3
Average interest rate		8.18%			5.58%	
Variable rate long term debt	21.3		21.3	20.0		20.0
Average interest rate		7.79%			7.59%	
Fixed rate long-term debt	5.7		5.7	4.2		4.4
Average interest rate		8.98%			7.60%	

Limitations: Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

We also face market risk relating to foreign exchange rate fluctuations, principally relating to the fluctuation of U.S. dollar to Indian rupee exchange rate. Our foreign exchange risk principally arises from accounts payable to overseas vendors. This risk is partially mitigated as we have receipts in foreign currency from overseas customers and hold balances in foreign currency with overseas banks.

During the six months ended September 30, 2007 and 2006, 96.6% and 95.2%, respectively, of our revenues were generated outside of India. Using sensitivity analysis, a hypothetical 10% increase in the value of the Indian rupee against all other currencies would decrease revenue by 2.9%, or $27.9 million, in the six months ended September 30, 2007, 2.5%, or $36.9 million, in fiscal 2007 while a hypothetical 10% decrease in the value of the Indian rupee against all other currency would increase revenue by 2.9% or $27.9 million, in the six months ended September 30, 2007, 2.5%, or $36.9 million in fiscal 2007.

We had outstanding forward and options contract amounting to $783.2 million and $452.6 million as at September 30, 2007 and fiscal 2007 respectively. Gains/ (losses) on outstanding forward and options contracts amounted to $36.0 million and $4.5 million during the six months ended September 30, 2007 and fiscal 2007 respectively. Using sensitivity analysis, a hypothetical 1% increase in the value of the Indian rupee against all other currencies would decrease these gains by $2.6 million in the six months ended September 30, 2007 and by $0.7 million in fiscal 2007 while a hypothetical 1% decrease in the value of the Indian rupee against all other currency would increase these gains by $2.6 million in the six months ended September 30, 2007 and by $0.7 million in fiscal 2007.

In the opinion of management, a substantial portion of this fluctuation would be offset by expenses incurred in local currencies. As a result, the aggregate of the hypothetical movement described above of the value of the Indian rupee against all other currencies in either direction would have impacted our earnings before interest and taxes by $25.3 million during the six months ended September 30, 2007 and $37.6 million in fiscal 2007. This amount would be offset, in part, from the impacts of local income taxes and local currency interest expense. As of September 30, 2007, we had approximately $148.5 million of non-Indian rupee denominated cash and cash equivalents.

Item 4: Controls and Procedures

Not applicable.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Satyam and its subsidiaries on a consolidated basis are not currently a party to any material legal proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In May 2001, we completed an offering of 16,675,000 ADSs (representing 33,350,000 equity shares) at a price of $9.71 per ADS. We received approximately $150.6 million in cash, net of underwriting discounts, commissions and other offering costs. Our Securities Act registration statement on Form F-1 with respect to the offering was declared effective by the SEC on May 14, 2001 (Registration No. 333-13464). As of September 30, 2007 the entire $150.6 million of these proceeds has been used for prepayment of loans ($26.9 million); strategic investments in our subsidiaries ($39.3 million); development of facilities and infrastructure ($58.5 million) and working capital and general corporate purposes ($25.9 million). None of the net proceeds from our ADS offering were paid, directly or indirectly, to any of our directors, officers or general partners or any of their associates, or to any persons owning ten percent or more of any class of our equity securities, or any affiliates.

Item 3. Default Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

The following actions were approved by our shareholders at the Annual General Meeting held on August 30, 2007:

- the adoption of the Audited Balance Sheet as at March 31, 2007 and the Audited Profit & Loss accounts for the year ended March 31, 2007 and the Directors' Report and the Auditors' Report for the year ended March 31, 2007;
- the declaration of final divided on equity shares;
- the re-appointment of Dr. (Mrs.) Mangalam Srinivasan as director;
- the re-appointment of Prof. Krishna G Palepu as director;
- the re-appointment of M/s Price Waterhouse as auditors of our company for the period commencing from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and fixing their remuneration
- the appointment of Mr. T R Prasad as director;
- the appointment of Prof. V S Raju as director;

Item 5. Other Information

None

Item 6. Exhibits and Reports

99.1 Press Release of the Company concerning financial results dated October 23, 2007.
99.2 Summary of Financial Results of the Company for the quarter and half-year ended September 30, 2007 dated October 23, 2007.
99.3 Investor Link News Update of the Company dated October 23, 2007.
99.4 Unconsolidated/standalone financial statements for the quarter and half-year ended September 30, 2007 under Indian GAAP (audited).
99.5 Consolidated financial statements for the quarter and half-year ended September 30, 2007 under Indian GAAP (unaudited).
99.6 Consolidated financial statements for the six months ended September 30, 2007 under US GAAP (unaudited).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there under duly authorized.

Satyam Computer Services Ltd.

/s/ G. Jayaraman

Name: G. Jayaraman
Title: Global Head — Corp. Governance & Company Secretary

Date: October 29, 2007

Exhibit 99.1

Satyam
What Business Demands.

Satyam Posts 44.8% Percent Year-over-Year US$ Revenue Growth

• Revenue Guidance as per US Gaap for FY 2008 revised upwards to 41.5 — 42.0%

HYDERABAD, India, October 23, 2007, Satyam (NYSE:SAY): a leading global consulting and information technology services company, today announced the audited results of the company for the quarter ended September 30.

Consolidated Indian GAAP Highlights

- Revenue was Rs. 2031.7 crore; a year over year increase of 26.8 % and a sequential increase of 11.0 %.
- Volume growth for the quarter was 9.1 %.
- Net Profit after Tax was Rs. 409.1 crore; a YoY increase of 27.9 % and a sequential increase of 8.1 %.
- EPS was Rs. 6.12; a YoY increase of 25.1 % and a sequential increase of 8%.
- EBITDA margin for the quarter was 19.8 %.

US GAAP Highlights

- Revenue was US$ 509.6 million—up 44.8 % YoY and 12.7 % sequentially.
- Net Income was $ 101.9 million; YoY increase of 55.6 % and a sequential increase of 9.4 %.
- Basic earning per ADS for the quarter was US$ 0.31; an increase of 52.2 % YoY and an increase of 9.4 % sequentially.
- Operating margins (EBIT) was 17.7 %.

"I am pleased to announce that in the second quarter, Satyam continued its rapid growth in several key regions, services, and industries, including financial services, energy and utilities, telecommunications, and media and entertainment, among others," ***Raju*** *said. "Satyam's early adoption of strategic deals as*

an area of focus is resulting in larger and longer term engagements. We continue to win and ramp-up our engagements with strategic clients in our efforts to enable business transformation. In Q2, we added 8 more Fortune Global firms to our customer list."

Other Highlights

- The parent company ended the quarter with 41,423 associates, an addition of 3,037 associates, including 1,889 trainees. The number of associates including the subsidiaries and joint ventures stood at 45,767.
- *Attrition on a trailing 12 months basis fell to 13.9% from 14.9% in Q1 FY08.*

"Strong volume growth and increased billing rates helped us post 12.7% revenue growth for the quarter. Margins for the quarter declined as salary hikes were finalized. Now that the increments are behind us, higher productivity and enhanced operational efficiencies will help us improve our margins going forward." said Satyam Chief Financial Officer ***Srinivas Vadlamani.***

Business Outlook

- For fiscal year 2008, under US GAAP, revenue is expected to be between US$ 2.07 billion and US$ 2.08 billion, implying a growth rate of 41.5% to 42.0 % over fiscal 2007. Basic earning per ADS for fiscal 2008 is expected to be US$1.24, implying a growth rate of 36.0% over fiscal 2007.
- Corresponding revenue growth under Indian GAAP consolidated is expected to be between 26.3% and 26.7%. EPS for the full year is expected to be between Rs. 25.0 and Rs. 25.1, implying a growth rate of 16.5% — 17.0%.
- For Q3 FY 2008, under US GAAP, revenue is expected to be between US$ 538.0 million and US$ 540.6 million, implying a growth rate of 5.6 % to 6.1 %. Basic earning per ADS for Q3 08 is expected to be US$ 0.31.
- For Q3 FY 2008, under Indian GAAP consolidated, corresponding revenue growth rate is expected to be between 3.6 % and 4.1 %. EPS for the Quarter is expected to be between Rs. 6.18 and Rs. 6.21.

Key Business Achievements

Satyam added 37 new customers in the quarter, including 8 Global US Fortune 500 corporations.

We continued our global expansion during Q2. Revenue from Rest of World and Europe grew by 27% and 17% respectively in Q2. This growth is supported by the diversified workforce across these regions. India, in addition to being a competency hub, is emerging as an attractive market for Satyam. A noteworthy event in Q2 was the inauguration of the Automotive Center of Excellence in Chennai.

Some of Satyam's most prominent achievements during the second quarter included winning a pilot project to design and develop an Optical Transceiver Board (OTB) for a leading German Aerospace company. It is Satyam's first avionics account with a tier 1 supplier in Europe.

Satyam has been chosen by one of the leading downstream O&G major to provide an integrated financial solution to cater to the future growth and reporting requirements of the company's operationally independent refineries. Through this engagement Satyam will also assist the customer in their acquisitions program, by providing a strategy for the separation and consolidation of the IT systems and IT infrastructure.

Satyam continued to win important new contracts in the Knowledge Services Outsourcing area, including a needs-based engineering services outsourcing contract with a major US supplier of capital equipment for the automotive, steel, aluminum, cement, and glass industries, as well as for the sugar and energy sectors.

Nipuna Highlights

For Q2 2008, Nipuna posted revenue of US$15.12 million, and a net loss of US$1.18 million. The quarter's revenue were up by 26.8%, quarter over quarter, and 68.1% YoY. The revenue guidance for fiscal 2008 is US$61 million, an increase of 60% over FY 2007.

Additionally, thanks to its high customer satisfaction scores and superior delivery capabilities, Nipuna won repeated business from its top six customers. The organization also won a strategic deal with a key pharmaceutical customer, and earned an exceptionally high global ranking in "The Black Book of Outsourcing."

Nipuna, the Satyam BPO, Becomes World's First eSCM Level 5 Company

In August, Nipuna was certified at Capability Level 5.0—the highest rating—according to the eSourcing Capability Model for Service Providers (eSCM-SP v2.0). Nipuna is the world's first company to achieve eSCM Level 5, just as it was the first to reach Level 4 in September 2005. The eSCM-SP is a quality model that addresses critical issues related to BPO. It enables ITES industry organizations to evaluate, select, and monitor service providers based on their level of certification.

Key Awards and Recognitions in this Quarter

Satyam Honored as Partner of the Year for Citizenship at 2007 Microsoft Worldwide Partner Program Awards
Satyam was named Partner of the Year Award for Citizenship at the 2007 Microsoft Worldwide Partner Program Awards. Satyam was chosen out of an international field of top Microsoft Partners as delivering market-leading customer solutions built on Microsoft technology. The awards were distributed at a July ceremony in Denver, CO at the Microsoft Worldwide Partner Conference.

Satyam continues to be among the top few Global ITO vendors
The 2007 Black Book of Outsourcing ranks Satyam as the No.1 ITO: Global Process Consulting vendor. The ranking justifies Satyam's longtime efforts to develop a strong process-oriented organization. It is especially gratifying coming from a respected, independent source like The Black Book of Outsourcing. Other companies considered for the award represented Asia-Pacific, North America, and Western Europe.

Satyam No. 1 in world in ASTD BEST Rankings
Satyam placed first in the ASTD BEST rankings in 2007, a prestigious global ranking of companies that demonstrate enterprise-wide success through employee learning and development. Satyam is the first Asian company—the first non-US organization, in fact—to earn the esteemed honor.

About Satyam
Satyam (NYSE: SAY) a leading global business and information technology services company, delivers consulting, systems integration, and outsourcing solutions to clients in 20 industries and 57 countries. Satyam leverages deep industry and functional expertise, leading technology practices, and an advanced, global delivery model to help clients transform their highest-value business processes and improve their business performance. The company's 45,700* professionals excel in engineering and product development, supply chain management, client relationship management, business process quality, business intelligence, enterprise integration, and infrastructure management, among other key capabilities.

Satyam development and delivery centres in the US, Canada, Brazil, the UK, Hungary, Egypt, UAE, India, China, Malaysia, Singapore, and Australia serve 577* clients, including one-third of the US Fortune 500. For more information, see www.satyam.com.

*As of Sept. 30, 2007

Safe Harbor
This press release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements. For a discussion of the risks associated with our business, please see the discussions under the heading "Risk Factors" in our report on Form 20-F concerning the quarter ended March 31, 2007, furnished to the United States Securities Exchange Commission on April 30, 2007 and the other reports filed with the Securities Exchange Commission from time to time. These filings are available at http://www.sec.gov.

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Satyam
What Business Demands.

Satyam Computer Services Limited

Regd. office: I Floor, Mayfair Centre, 1-8-303/36, S.P.Road, Secunderabad — 500 003.

Highlights for Q2 — 2008

Business Outlook

1. For fiscal 2008, under US GAAP, revenue is expected to be between US$ 2.07 bn and US$ 2.08 bn, implying a growth rate of 41.5 % to 42.0 % over fiscal 2007. Basic earning per ADS for fiscal 2008 is expected to be US$ 1.24, implying a growth rate of 36.0 % over fiscal 2007.
2. Corresponding revenue growth under Indian GAAP consolidated is expected to be between 26.3 % and 26.7 %. EPS for the full year is expected to be between Rs. 25.0 and Rs. 25.1, implying a growth rate of 16.5 % — 17.0%.
3. For Q3 FY 2008, under US GAAP, revenue is expected to be between US$ 538.0 mn and US$ 540.6 mn, implying a growth rate of 5.6 % to 6.1 %. Basic earning per ADS for Q3 08 is expected to be US$ 0.31.
4. For Q3 FY 2008, under Indian GAAP consolidated, corresponding revenue growth rate is expected to be between 3.6% and 4.1%; EPS for the Quarter is expected to be between Rs. 6.18 and Rs. 6.21.

Consolidated Indian GAAP Highlights

The highlights of the results for the quarter under Indian GAAP Consolidated basis are:

1. Revenue was Rs.2,031.7 crore; a YoY increase of 26.8% and a sequential increase of 11.0%.
2. Volume growth for the quarter was 9.1%.
3. Net Profit after Tax was Rs. 409.1 crore; a YoY increase of 27.9% and a sequential increase of 8.1%.
4. EPS was Rs. 6.12; a YoY increase of 25.1% and a sequential increase of 8%.
5. EBITDA margin for the quarter was 19.8%.

US GAAP Highlights

The highlights of the results under US GAAP are:

1. Revenue was US$ 509.6 mn; up 44.8% YoY and 12.7% sequentially.
2. Net Income was $ 101.9 mn; YoY increase of 55.6% and a sequential increase of 9.4%.
3. Basic earning per ADS for the quarter was US$ 0.31; increase of 52.2% YoY and up 9.4% sequentially.
4. Operating margins (EBIT) was 17.7%.

Others

1. The parent company ended the quarter with 41,423 associates, an addition of 3,037 associates including 1,889 trainees for Q2 08. The number of associates including the subsidiaries and joint ventures stood at 45,767
2. Attrition on a trailing twelve months basis fell to 13.9% from 14.9% in Q1 FY08.
3. 8 Global Fortune 500 clients added.

Consolidated financial results as per Indian GAAP

Rs. in crores except as stated otherwise

Sl. No.	Particulars	Quarter ended September 30, (unaudited) 2007	Quarter ended September 30, (unaudited) 2006	Growth over quarter ended September 30, 2006 (%)	Quarter ended June 30, (unaudited) 2007	Growth over quarter ended June 30, 2007 (%)	Half-year ended September 30, (unaudited) 2007	Half-year ended September 30, (unaudited) 2006	Growth over half-year ended September 30, 2006 (%)	Year ended March 31, (audited) 2007
1	Income from services									
	—Exports	1,965.19	1,525.25	28.84	1,776.94	10.59	3,742.13	2,901.91	28.95	6,188.12
	—Domestic	66.53	76.63	(13.18)	53.25	24.94	119.78	142.90	(16.18)	296.96
	Total	**2,031.72**	**1,601.88**	**26.83**	**1,830.19**	**11.00**	**3,861.91**	**3,044.81**	**26.84**	**6,485.08**
2	Other income	110.54	28.23	291.57	63.20	74.91	173.74	102.71	69.16	183.28
3	**Total income**	**2,142.26**	**1,630.11**	**31.42**	**1,893.39**	**13.14**	**4,035.65**	**3,147.52**	**28.22**	**6,668.36**
4	Personnel expenses	1,302.75	982.71	32.57	1,106.18	17.77	2,408.93	1,814.32	32.77	3,857.93
5	Cost of software and hardware sold	0.68	0.35	94.29	0.25	172.00	0.93	1.03	(9.71)	2.27
6	Operating and administration expenses	325.59	256.33	27.02	313.47	3.87	639.06	511.96	24.83	1,087.17
7	Total expenditure	1,629.02	1,239.39	31.44	1419.90	14.73	3,048.92	2,327.31	31.01	4,947.37
8	**Profit before interest, depreciation/ amortization and taxation (PBIDT)**	**513.24**	**390.72**	**31.36**	**473.49**	**8.40**	**986.73**	**820.21**	**20.30**	**1,720.99**
9	PBIDT margin	23.96%	23.97%	—	25.01%	—	24.45%	26.06%	—	25.81%
10	**Operating Profit (PBIDT without other income)**	**402.70**	**362.49**	**11.09**	**410.29**	**(1.85)**	**812.99**	**717.50**	**13.31**	**1,537.71**
11	Operating profit margin	19.82%	22.63%	—	22.42%	—	21.05%	23.56%	—	23.71%
12	Financial expenses	4.18	2.72	53.68	3.32	25.90	7.50	5.27	42.31	15.92
13	Depreciation/amortization	39.06	37.51	4.13	38.69	0.96	77.75	73.68	5.52	148.44
14	**Profit before taxation [8-(12+13)]**	**470.00**	**350.49**	**34.10**	**431.48**	**8.93**	**901.48**	**741.26**	**21.61**	**1,556.63**
15	Provision for taxation	60.91	30.68	98.53	53.16	14.58	114.07	67.45	69.12	152.01
16	**Profit after taxation before minority interest**	**409.09**	**319.81**	**27.92**	**378.32**	**8.13**	**787.41**	**673.81**	**16.86**	**1,404.62**
17	Minority interest	—	—	—		—	—	0.12	—	0.12
18	**Profit after taxation and minority interest**	**409.09**	**319.81**	**27.92**	**378.32**	**8.13**	**787.41**	**673.93**	**16.84**	**1,404.74**
19	PAT to total income	19.10%	19.62%	—	19.98%	—	19.51%	21.41%	—	21.07%
20	Paid-up equity share capital (par value of Rs.2 per share)	133.71	130.93	—	133.53	—	133.71	130.93	—	133.44
21	Reserves excluding revaluation reserves	6,334.97	4,764.70	—	5,974.07	—	6,334.97	4,764.70	—	5,565.81
22	Preference shares of Rs. 10 each issued by subsidiary company	—	91.01	—	45.50	—	—	91.01	—	45.50
23	EPS — basic (Rs.) (on par value of Rs.2 per share)	6.12	4.89	25.15	5.67	7.94	11.79	10.33	14.13	21.45
24	EPS — diluted (Rs.) (on par value of Rs.2 per share)	5.97	4.75	25.68	5.53	7.96	11.51	10.02	14.87	20.98
25	Public shareholding									
	— Number of Shares	479,566,889	465,128,622*	—	478,751,581	—	479,566,889	465,128,622*	—	478,313,191
	— Percentage of shareholding	71.74	71.05	—	71.70	—	71.74	71.05	—	71.69

* Adjusted for the bonus issue in the ratio of 1-for-1 for the record date October 10, 2006.

Notes:

1. The above results have been approved by the Board of directors at its meeting held today.
2. The consolidated financial statements of Satyam Computer Services Ltd (Satyam) and its majority owned domestic and foreign subsidiaries are prepared in accordance with Accounting Standard (AS) 21 on consolidated financial statements issued by the Institute of Chartered Accountants of India. All significant intra-group balances and intra-group transactions and resulting unrealized profits have been eliminated. The financial statements also include the results of our joint ventures consolidated on proportionate consolidation method in accordance with AS 27 on Financial Reporting of Interest in Joint Ventures.
3. The results of business entities, which have been consolidated, with the results of Satyam, include subsidiaries — Nipuna Services Ltd, Satyam Technologies Inc., Satyam Computer Services (Shanghai) Co. Ltd., Satyam Computer Services (Nanjing) Co. Ltd., Citisoft Plc and its subsidiary and Knowledge Dynamics Pte. Ltd. and its subsidiaries. The results also include the results of our joint ventures Satyam Venture Engineering Services Pvt. Ltd. and CA Satyam ASP Pvt. Ltd., which have been accounted using proportionate consolidation method.
4. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current period

For and on behalf of the Board of directors

Place: Hyderabad
Date: October 23, 2007

B. Ramalinga Raju
Chairman

Consolidated financial results as per US GAAP

US$ in millions except as stated otherwise

Sl. No.	Particulars	Three months ended September 30, (unaudited) 2007	Three months ended September 30, (unaudited) 2006	Growth over three months ended September 30, 2006 (%)	Three months ended June 30, (unaudited) 2007	Growth over three months ended June 30, 2007 (%)	Six months ended September 30, (unaudited) 2007	Six months ended September 30, (unaudited) 2006	Growth over Six months ended September 30, 2006 (%)	Year ended March 31, (audited) 2007
1	Revenues	$509.6	$352.0	44.8	$452.3	12.7	$961.9	$674.5	42.6	$1,461.4
2	Gross profit	179.3	121.7	47.3	163.1	9.9	342.4	238.7	43.4	523.8
3	Operating income	90.3	66.1	36.6	90.1	0.2	180.4	133.0	35.6	291.6
4	Operating income margin	17.72%	18.78%	—	19.92%	—	18.75%	19.72%	—	19.95%
5	Income / (loss) before taxes, minority interest and equity in earnings / (losses) of associated companies	116.6	71.5	63.1	104.9	11.2	221.5	154.1	43.7	328.2
6	Net income	$101.9	$ 65.5	55.6	$ 93.1	9.4	$195.0	$141.0	38.3	$ 298.4
7	EPADS — basic (US$)	0.31	0.20	52.2	0.28	9.4	0.59	0.44	35.1	0.92
8	EPADS — diluted (US$)	0.30	0.20	53.7	0.27	9.4	0.57	0.42	36.5	0.90

Notes:

1. The above results have been approved by the Board of directors at its meeting held today.
2. The consolidated financial statements of Satyam Computer Services Ltd (Satyam) and its majority owned domestic and foreign subsidiaries are prepared in accordance with generally accepted accounting principles applicable in the United States (US GAAP). All significant inter-company balances and transactions have been eliminated.
3. The results of business entities, which have been consolidated, with the results of Satyam include subsidiaries — Nipuna Services Ltd, Satyam Technologies Inc., Satyam Computer Services (Shanghai) Co. Ltd., Satyam Computer Services (Nanjing) Co. Ltd., Citisoft Plc and its subsidiary and Knowledge Dynamics Pte. Ltd. and its subsidiaries. The results also include Satyam Associate Trust and the results of our associated companies Satyam Venture Engineering Services Pvt. Ltd. and CA Satyam ASP Pvt. Ltd.
4. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current period.
5. Statement showing reconciliation between net profit as per Indian GAAP and US GAAP consolidated financial statements for the quarter and half-year ended September 30, 2007 is as follows:

US$ in millions

Sl. No.	Particulars	Three months ended (unaudited) 30-09-2007	Three months ended (unaudited) 30-09-2006	Three months ended (unaudited) 30-06-2007	Half-year ended (unaudited) 30-09-2007	Half-year ended (unaudited) 30-09-2006	Year ended March 31, 2007 (audited)
1	**Profit as per Indian GAAP Consolidated Financial Statements**	**$101.3**	**$69.1**	**$92.1**	**$193.4**	**$147.3**	**$311.9**
2	Stock-based compensation	(0.8)	(3.5)	(0.6)	(1.4)	(7.2)	(12.0)
3	Others, net	1.4	(0.1)	1.6	3.0	0.9	(1.5)
4	Total adjustments (2 to 3)	0.6	(3.6)	1.0	1.6	(6.3)	(13.5)
5	**Net income as per US GAAP Financial Statements**	**$101.9**	**$65.5**	**$93.1**	**$195.0**	**$141.0**	**$298.4**

Satyam Computer Services Limited

Regd. Office: I Floor, Mayfair Centre, 1-8-303/36, S.P.Road, Secunderabad — 500 003.

Audited financial results for the quarter and half-year ended September 30, 2007

Rs. in crores except as stated otherwise

Sl. No.	Particulars	Quarter ended September 30, 2007	Quarter ended September 30, 2006	Growth over quarter ended September 30, 2006 (%)	Quarter ended June 30, 2007	Growth over quarter ended June 30, 2007 (%)	Half - year ended September 30, 2007	Half - year ended September 30, 2006	Growth over half-year ended September 30, 2006 (%)	Year ended March 31, 2007
1	Income from services									
	—Exports	1,883.02	1,465.42	28.50	1,706.27	10.36	3,589.29	2,797.84	28.29	5,961.06
	—Domestic	65.22	72.29	(9.78)	52.81	23.50	118.03	126.73	(6.86)	267.41
	Total	**1,948.24**	**1,537.71**	**26.70**	**1,759.08**	**10.75**	**3,707.32**	**2,924.57**	**26.76**	**6,228.47**
2	Other income	108.20	28.13	284.64	61.85	74.94	170.05	102.51	65.89	181.61
3	**Total income**	**2,056.44**	**1,565.84**	**31.33**	**1,820.93**	**12.93**	**3,877.37**	**3,027.08**	**28.09**	**6,410.08**
4	Personnel expenses	1,251.05	945.49	32.32	1,059.38	18.09	2,310.43	1,740.62	32.74	3,706.04
5	Operating and administration expenses	295.58	234.86	25.85	286.99	2.99	582.57	470.94	23.70	993.31
6	Total expenditure	1,546.63	1,180.35	31.03	1,346.37	14.87	2,893.00	2,211.56	30.81	4,699.35
7	**Profit before interest, depreciation / amortization and taxation (PBIDT)**	**509.81**	**385.49**	**32.25**	**474.56**	**7.43**	**984.37**	**815.52**	**20.70**	**1,710.73**
8	PBIDT margin	24.79%	24.62%	—	26.06%	—	25.39%	26.94%	—	26.69%
9	**Operating profit (PBIDT without other income)**	**401.61**	**357.36**	**12.38**	**412.71**	**(2.69)**	**814.32**	**713.01**	**14.21**	**1,529.12**
10	Operating profit margin	20.61%	23.24%	—	23.46%	—	21.97%	24.38%	—	24.55%
11	Financial expenses	0.47	0.26	80.77	0.51	(7.84)	0.98	1.33	(26.32)	7.61
12	Depreciation/amortization	32.68	32.81	(0.40)	32.55	0.40	65.23	65.11	0.18	129.89
13	**Profit before taxation [7-(11+12)]**	**476.66**	**352.42**	**35.25**	**441.50**	**7.96**	**918.16**	**749.08**	**22.57**	**1,573.23**
14	Provision for taxation	59.51	30.08	97.84	52.36	13.66	111.87	66.65	67.85	150.00
15	**Profit after taxation (PAT)**	**417.15**	**322.34**	29.41	**389.14**	7.20	**806.29**	**682.43**	18.15	**1,423.23**
16	PAT to total income	20.29%	20.59%	—	21.37%	—	20.79%	22.54%	—	22.20%
17	Paid-up equity share capital (par value of Rs.2 per share)	133.71	130.93	—	133.53	—	133.71	130.93	—	133.44
18	Reserves excluding revaluation reserves	6,443.23	4,881.26	—	6,068.61	—	6,443.23	4,881.26	—	5,648.07
19	EPS — basic (Rs.) (on par value of Rs. 2 per share)	6.24	4.93	26.57	5.83	7.03	12.07	10.46	15.39	21.73
20	EPS — diluted (Rs.) (on par value of Rs. 2 per share)	6.09	4.78	27.41	5.68	7.22	11.78	10.14	16.17	21.25
21	(Dividend per share (Rs) on par value of Rs.2/- per share)	1.00	1.00	—	—	—	1.00	1.00	—	3.50
22	Public shareholding									
	— Number of shares	479,566,889	465,128,622*	—	478,751,581	—	479,566,889	465,128,622*	—	478,313,191
	— Percentage of shareholding	71.74	71.05	—	71.70	—	71.74	71.05	—	71.69

* Adjusted for the bonus issue in the ratio of 1-for-1 for the record date October 10, 2006.

Segment Reporting: **Rs in crores**

1	**Segment revenue**									
	Information technology services	1,948.24	1,537.71	26.70	1,759.08	10.75	3,707.32	2,924.57	26.76	6,228.47
	Less: Inter segment revenue	—	—	—	—	—	—	—	—	—
	Net sales / Income from operations	1,948.24	1,537.71	26.70	1,759.08	10.75	3,707.32	2,924.57	26.76	6,228.47
2	**Segment profit / (loss) before tax and interest**									
	Information technology services	368.93	324.55	13.67	380.16	(2.95)	749.09	647.90	15.62	1,399.23
	Less : Financial expenses	0.47	0.26	80.77	0.51	(7.84)	0.98	1.33	(26.32)	7.61
	Add: Other income	108.20	28.13	284.64	61.85	74.94	170.05	102.51	65.89	181.61
	Total profit before tax	476.66	352.42	35.25	441.50	7.96	918.16	749.08	22.57	1,573.23
3	**Capital employed**									
	Information technology services	2,747.82	2,966.62	(7.38)	2,613.65	5.13	2,747.82	2,966.62	(7.38)	2,191.35

Notes :

1. The above results have been approved by the Board of directors at its meeting held today.
2. The Board of directors has declared an interim dividend of Re. 1/- per share (50% on par value of Rs. 2 per share). The record date for payment of interim dividend will be November 8, 2007.
3. The total manpower strength as on September 30, 2007 stood at 41,423 associates as against 38,386 associates as on June 30, 2007 signifying an increase of 3,037 associates. The number of technical associates increased by 2,797 to close the quarter at 39,153 (36,356 associates as on June 30, 2007).
4. During the quarter ended September 30, 2007, the Company allotted 879,254 equity shares of Rs. 2 each, consequent to exercise of stock options by the associates.
5. During the quarter ended September 30, 2007 the company has made additional investments amounting to Rs.206.66 cr. in its subsidiary — Nipuna Services Limited.
6. The Board of directors approved the proposal for the acquisition of Nitor Global Solutions Ltd, a Company specialized in the Infrastructure Management Services (IMS) space located at London, U.K. The maximum purchase consideration will be GBP 2.76 Mn in an all cash transaction and has been structured into upfront payment and earn-out payments. The transaction is expected to be consummated in December 2007 and upon consummation Nitor Global Solutions will be integrated with the Company.
7. Details of investor complaints for the quarter ended September 30, 2007:

Nature	Pending as on July 01, 2007	During the quarter Received	During the quarter Disposed off	Pending as on September 30, 2007
Dividends related	0	72	71	1
Others	0	29	27	2
Total	**0**	**101**	**98**	**3***

* resolved on 05.10.2007

8. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current period.

For and on behalf of the Board of directors

Place: Hyderabad
Date: October 23, 2007

B. Ramalinga Raju
Chairman

Safe Harbor :

This release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements.

For a discussion of the risks associated with our business, please see the discussions under the heading “Risk Factors” in our report on Form 6-K concerning the fiscal quarter ended June 30, 2007 furnished to the United States Securities and Exchange Commission on July 27, 2007 and the other reports filed with the Securities and Exchange Commission from time to time. These filings are available at www.sec.gov.

Exhibit 99.3

INVESTOR NEWS UPDATE Q2, FISCAL 2008

investorLink™

Satyam
What Business Demands.

October 23, 2007

Business Outlook

1. For fiscal 2008, under US GAAP, revenue is expected to be between US$ 2.07 bn and US$ 2.08 bn, implying a growth rate of 41.5 % to 42.0 % over fiscal 2007. Basic earning per ADS for fiscal 2008 is expected to be US$ 1.24, implying a growth rate of 36.0 % over fiscal 2007.
2. Corresponding revenue growth under Indian GAAP consolidated is expected to be between 26.3 % and 26.7 %. EPS for the full year is expected to be between Rs. 25.0 and Rs. 25.1, implying a growth rate of 16.5 % - 17.0%.
3. For Q3 FY 2008, under US GAAP, revenue is expected to be between US$ 538.0 mn and US$ 540.6 mn, implying a growth rate of 5.6 % to 6.1 %. Basic earning per ADS for Q3 08 is expected to be US$ 0.31.
4. For Q3 FY 2008, under Indian GAAP consolidated, corresponding revenue growth rate is expected to be between 3.6% and 4.1%; EPS for the Quarter is expected to be between Rs. 6.18 and Rs. 6.21.

Consolidated Indian GAAP Highlights

The highlights of the results for the quarter under Indian GAAP Consolidated basis are:

1. Revenue was Rs.2031.7crore; a YoY increase of 26.8% and a sequential increase of 11.0 %.
2. Volume growth for the quarter was 9.1%.
3. Net Profit after Tax was Rs. 409.1 crore; a YoY increase of 27.9% and a sequential increase of 8.1 %.
4. EPS was Rs. 6.12; a YoY increase of 25.1 % and a sequential increase of 8.0%.
5. EBITDA margin for the quarter was 19.8 %.

US GAAP Highlights

The highlights of the results under US GAAP are:

1. Revenue was US$ 509.6 mn; up 44.8 % YoY and 12.7 % sequentially.
2. Net Income was $ 101.9 mn; YoY increase of 55.6 % and a sequential increase of 9.4 %.
3. Basic earning per ADS for the quarter was US$ 0.31; increase of 52.2 % YoY and up 9.4 % sequentially.
4. Operating margins (EBIT) was 17.7%.

Other Highlights

1. The parent company ended the quarter with 41,423 associates, an addition of 3,037 associates including 1,889 trainees. The number of associates including the subsidiaries and joint ventures stood at 45,767.
2. Attrition on a trailing twelve months basis fell to 13.9% from 14.9% in Q1 FY08.
3. 8 Global Fortune 500 clients added.

"The second quarter was exceptionally strong as we reported substantially better than expected revenue, broad based across key verticals, services and regions. We continue to win and ramp-up our engagements with strategic clients in our efforts to enable business transformation."

– Ramalinga Raju, Founder & Chairman

"Strong volume growth and increased billing rates helped us post 12.7% revenue growth for the quarter. Margins for the quarter declined as salary hikes were finalised. Now that the increments are behind us, higher productivity and enhanced operational efficiencies will help us improve margins going forward."

– V. Srinivas, CFO

Q2 Table of Contents

Chairman's Message

Dear Investor,

The second quarter was exceptionally strong as we reported substantially better than expected revenue, broad based across key verticals, services and regions. During Q2, Satyam recorded sequential revenue growth of 12.7% in US $. However, continued appreciation of the rupee against all major currencies during Q2 reduced the corresponding growth rate in rupees to 11%. EPS for Q2 was Rs. 6.12.

We continue to be optimistic about our future on the back of a stellar Q2 performance. We are, therefore, increasing our revenue guidance to US$ 2.07 billion to US$ 2.08 billion which translates to a growth rate of 41.5% to 42.0%. The earnings per ADS is also being raised to US$ 1.24 which translates to a growth rate of 36%.

We have seen strong demand across all our verticals, with TIMES and BFSI performing particularly well. TIMES continued its strong growth with a 20% increase sequentially while BFSI grew by 12.4% sequentially. The noteworthy growth rate of BFSI validates our belief that recent concerns in this market segment had little or no effect in our core business in this vertical. The demand for services in the consulting and enterprise business solutions space continues to be strong leading to a 14% sequential growth.

Satyam's early adoption of strategic deals as an area of focus is resulting in larger and longer term engagements. We see this as a sustainable trend. For instance, Q2 witnessed Satyam negotiate a five-year engagement with an oil and gas major. We also signed a multi-year deal with Fujitsu Services for providing global outsourcing services to Reuters. Both these contracts are amongst the largest multi-year deals signed by Satyam. These wins reflect our growing maturity in emerging verticals that have been in focus in recent times.

We continued our global expansion during Q2. Revenue from Rest of World and Europe grew by 27% and 17% respectively in Q2. This growth is supported by the diversified workforce across these regions. India, in addition to being the competency hub is emerging as an attractive market for Satyam. A noteworthy event in Q2 has been the inauguration of the Automotive Center of Excellence in Chennai.

We continue to win and ramp-up our engagements with strategic clients in our efforts to enable business transformation. In Q2, we added 8 more Fortune Global firms to our customer list. We also witnessed a significant increase – from 190 to 213 — in the number of customers with run-rate of 1 million dollars. We believe that both of the aforementioned customer categories are indicative of our potential to sustain the broad-based growth momentum witnessed in this quarter.

It is heartening to note that our efforts to stem attrition and develop leaders are bearing fruit, and fulfilling an important market need. Attrition at 13.89% on a trailing twelve month basis for Q2 has been on the decline for the fifth consecutive quarter. Satyam has been awarded the pride of place in American Society for Training and Development's BEST rankings with the number 1 ranking globally for the year 2007. Satyam is the first Asian company — the first non-US organization, in fact — to earn this honor.

We have reached a definitive agreement to acquire UK-based Nitor Global Solutions for a consideration upto GBP 2.76 mn in an all cash deal. Nitor is a niche infrastructure management services firm that helps clients design, implement and manage Microsoft technologies and will help us strengthen our growing IMS practice.

We are changing the name of our BPO subsidiary to Satyam BPO Limited from Nipuna Services Limited consequent to our decision to buyout external stakeholders. Customers are today much more positively inclined about receiving the entire value chain of services from a single organization and in that context, this move would be in line with market demand.

The Board has approved an interim dividend of 50% for fiscal 2008.

B. Ramalinga Raju

Financial Highlights — Indian GAAP Consolidated
Profit and Loss Account Summary for the quarter ended

In Rs. crore, except per share data

	September 2007	September 2006	Growth over September 2006 Quarter (%)	June 2007	Growth over June 2007 Quarter (%)
Income					
Services					
- Exports	1,965.19	1,525.25	28.84	1,776.94	10.59
- Domestic	66.53	76.63	(13.18)	53.25	24.94
Total Services Income	**2,031.72**	**1,601.88**	**26.83**	**1,830.19**	**11.01**
Expenditure					
Personnel Expenses	1,302.75	982.71	32.57	1,106.18	17.77
Cost of Software & Hardware sold	0.68	0.35	94.29	0.25	172.00
Operating and Administration Expenses	325.59	256.33	27.02	313.47	3.87
	1,629.02	**1,239.39**	**31.44**	**1,419.90**	**14.73**
Operating Profit (EBITDA)	**402.70**	**362.49**	**11.09**	**410.29**	**(1.85)**
EBITDA Margin	***19.82 %***	***22.63 %***		***22.42 %***	
Financial Expenses	4.10	2.72	50.74	3.32	23.49
Depreciation / Amortization	39.06	37.51	4.13	38.69	0.96
Operating Profit after Interest, Depreciation / Amortization	**359.54**	**322.26**	**11.57**	**368.28**	**(2.37)**
Other Income	110.45	28.23	291.25	63.20	74.76
Profit Before Tax	**469.99**	**350.49**	**34.10**	**431.48**	**8.93**
Provision for Taxation	60.90	30.68	98.50	53.16	14.56
Profit After Taxation	**409.09**	**319.81**	**27.92**	**378.32**	**8.13**
Earnings Per Share — (Rs. per equity share of Rs. 2 each)	6.12	4.89	25.15	5.67	8.00
Basic					
Diluted	5.97	4.75	25.68	5.53	7.96
No. of shares used in computing Earnings Per Share					
Basic	668,193,383	653,538,584		667,398,284	
Diluted	684,809,807	673,862,942		684,730,168	

Q2: Performance Against Guidance

	Parameters	Guidance	Actuals
Indian GAAP	Income from Software Services (Rs. crore)	1,917 to 1,926	2,031.72
	EPS (Rs.)	5.36 to 5.41	6.12
US GAAP	Income from Software Services (USD Million)	477.2 to 479.4	509.6
	Basic EPADS (US $)	0.26	0.31

Satyam
What Business Demands.

Indian GAAP Consolidated
Balance Sheet as at

In Rs. crore

	September 2007	September 2006	March 31 2007
Sources of Funds			
Shareholders' Funds			
(a) Share Capital	133.71	221.94	178.94
(b) Share Application Money, Pending Allotment	4.39	1.86	7.85
(c) Reserves and Surplus	6,334.97	4,764.70	5,565.81
	6,473.07	**4,988.50**	**5,752.60**
Loan Funds			
(a) Secured Loans	191.20	129.18	147.88
	6,664.27	**5,117.68**	**5,900.48**
Application of Funds			
Fixed Assets			
(a) Gross Block	1,794.87	1,433.29	1,505.44
(b) Less: Depreciation	1,057.62	911.98	984.79
(c) Net Block	**737.25**	**521.31**	**520.65**
(d) Capital Work in Progress	346.85	184.51	301.69
	1,084.10	**705.82**	**822.34**
Deferred Tax Asset (Net)	62.03	40.82	43.67
Current Assets, Loans and Advances			
(a) Inventories	0.02	0.18	0.02
(b) Sundry Debtors	2,092.08	1,425.96	1,743.17
(c) Cash and Bank Balances	4,005.23	3,483.78	3,991.42
(d) Loans and Advances	285.93	205.75	229.61
(e) Other Current Assets	168.87	153.58	64.91
	6,552.13	**5,269.25**	**6,029.13**
Less: Current Liabilities and Provisions			
(a) Current Liabilities	638.72	608.78	574.53
(b) Provisions	395.27	289.43	420.13
	1,033.99	**898.21**	**994.66**
Net Current Assets	**5,518.14**	**4,371.04**	**5,034.47**
	6,664.27	**5,117.68**	**5,900.48**

Satyam
What Business Demands.

Financial Highlights — Indian GAAP Standalone
Standalone Profit and Loss Account Summary for the quarter ended

In Rs. crore, except per share data

	September 2007	September 2006	Growth over September 2006 Quarter (%)	June 2007	Growth over June 2007 Quarter (%)
Income					
Services					
- Exports	1,883.02	1,465.42	28.50	1,706.27	10.36
- Domestic	65.22	72.29	(9.78)	52.81	23.50
Total Services Income	**1,948.24**	**1,537.71**	**26.70**	**1,759.08**	**10.75**
Expenditure					
Personnel Expenses	1,251.05	945.49	32.32	1,059.38	18.09
Operating and Administration Expenses	295.58	234.86	25.85	286.99	2.99
	1,546.63	**1,180.35**	**31.03**	**1,346.37**	**14.87**
Operating Profit (EBITDA)	**401.61**	**357.36**	**12.38**	**412.71**	**(2.67)**
EBITDA Margin	***20.61 %***	***23.24 %***		***23.46 %***	
Financial Expenses	0.47	0.26	80.77	0.51	(7.84)
Depreciation	32.68	32.81	(0.40)	32.55	0.40
Operating Profit after Interest and Depreciation	**368.46**	**324.29**	**13.62**	**379.65**	**(2.95)**
Other Income	108.20	28.14	284.51	61.85	74.95
Profit Before Tax	**476.66**	**352.43**	**35.25**	**441.50**	**7.96**
Provision for Taxation	59.51	30.08	97.84	52.36	13.66
Profit After Taxation (PAT)	**417.15**	**322.35**	**29.41**	**389.14**	**7.20**
Earnings Per Share — (Rs. per equity share of Rs. 2 each)					
Basic	6.24	4.93	26.57	5.83	7.07
Diluted	6.09	4.78	27.41	5.68	7.16
No. of Shares used in computing Earnings Per Share					
Basic	668,193,383	653,538,584		667,398,284	
Diluted	684,809,807	673,862,942		684,730,168	

Indian GAAP Standalone
Balance Sheet as at

In Rs. crore

	September 2007	September 2006	March 31 2007
Sources of Funds			
Shareholders' Funds			
(a) Share Capital	133.71	130.93	133.44
(b) Share Application Money, Pending Allotment	4.39	1.86	7.85
(c) Reserves and Surplus	6,443.23	4,881.26	5,648.07
	6,581.33	**5,014.05**	**5,789.36**
Loan Funds			
(a) Secured Loans	22.34	13.38	13.79
	6,603.67	**5,027.43**	**5,803.15**
Application of Funds			
Fixed Assets			
(a) Gross Block	1,394.43	1,218.79	1,280.40
(b) Less: Depreciation	991.64	866.75	930.45
(c) Net Block	**402.79**	**352.04**	**349.95**
(d) Capital Work in Progress	342.28	177.83	290.05
	745.07	**529.87**	**640.00**
Investments	422.16	193.39	201.15
Deferred Tax Asset (Net)	61.33	40.54	43.36
Current Assets, Loans and Advances			
(a) Sundry Debtors	1,983.85	1,350.04	1,649.86
(b) Cash and Bank Balances	3,974.87	3,442.07	3,959.82
(c) Loans and Advances	277.46	209.81	261.75
(d) Other Current Assets	168.73	153.53	64.83
	6,404.91	**5,155.45**	**5,936.26**
Less: Current Liabilities and Provisions			
(a) Current Liabilities	632.97	605.88	597.17
(b) Provisions	396.83	285.94	420.45
	1,029.80	**891.82**	**1,017.62**
Net Current Assets	**5,375.11**	**4,263.63**	**4,918.64**
	6,603.67	**5,027.43**	**5,803.15**

Satyam
What Business Demands.

Financial Highlights — US GAAP

Unaudited Consolidated Statement of Operations Summary for the quarter ended

In million US dollars, except per share data and as stated otherwise

	September 2007	September 2006	Growth over September 2006 Quarter (%)	June 2007	Growth over June 2007 Quarter %
Revenues	**$509.6**	**$352.0**	**44.8**	**$452.3**	**12.7**
Gross Profit	$179.3	$121.7	47.3	$163.1	9.9
Operating Income	$ 90.3	$ 66.1	36.6	$ 90.1	0.2
Operating Margin	**17.72%**	**18.78%**		**19.92%**	
Income Before Income Taxes, Minority Interest and Equity in Earnings / (Losses) of Associated Companies	$116.6	$ 71.5	63.1	$104.9	11.2
Income Taxes	$ (14.7)	$ (6.2)	137.10	$ (11.8)	24.6
Income Before Equity in Earnings / (Losses) of Associated Companies	**$101.9**	**$ 65.3**	**56.0**	**$ 93.1**	9.5
Equity in Earnings / (Losses) of Associated Companies, net of taxes	—	$ 0.2	—	—	—
Net Income	$101.9	$ 65.5	55.6	$ 93.1	9.4
Earnings Per Share:					
Basic	$ 0.15	$ 0.10	52.2	$ 0.14	9.4
Diluted	$ 0.15	$ 0.10	52.2	$ 0.14	9.4
Weighted average number of shares used in computing earnings per share (in millions)					
Basic	665.6	651.2		665.1	
Diluted	679.6	671.5		679.5	

Reconciliation Between Net Profit As Per Indian GAAP Consolidated Financials and US GAAP

In million US dollars

	Quarter Ended September 2007	Quarter Ended September 2006	Quarter ended June 2007
Profit as per Indian GAAP consolidated Financial Statements	**$101.30**	**$78.20**	**$92.10**
Add / (Deduct)			
1. Deferred Stock Compensation Charge	$ (0.80)	$ (3.70)	$ (0.60)
2. Others, net	$ 1.40	$ 1.00	1.60
Net Income as per US GAAP Financial Statements	**$101.90**	**$75.50**	**$93.10**

Satyam
What Business Demands.

Subsidiaries and Joint Ventures

Quarterly Q2 FY08

In Rs. Crore

	Revenue	PAT
Subsidiaries		
Nipuna	60.89	(4.78)
Citisoft	22.73	1.37
STI	0.86	(0.38)
China	11.27	(2.30)
Joint Ventures		
CA Satyam	2.49	0.34
Satyam Venture	17.61	(0.23)

Business Outlook

Outlook is based on exchange rate of Rs.39.5/ US$

EPS and EPADS is based on basic numer of shares / ADS

	Q2 2008	Q3 2008	Growth	FY 2007	FY 2008	Growth
Indian GAAP						
Consolidated Financials						
Revenue (Rs. Crore)	2,032	2,104.5 - 2,114.5	3.6% to 4.1%	6,485	8,189 - 8,220	26.3% - 26.7%
EPS (Rs. per share)	6.12	6.18 - 6.21	0.9% to 1.4%	21.45	25.00 - 25.10	16.5% - 17.0%
US GAAP						
Revenue (US $ mn)	509.6	538.0 - 540.6	5.6% to 6.1%	1,461	2,067.7 - 2,075.6	41.5% - 42.0%
EPADS (US$ per ADS)	0.31	0.31	—	0.91	1.24	36.0%
Average INR/US$ exchange rate	40.27	39.50	—	45.06		

Awards & Recognition

Satyam Numero Uno in ASTD's BEST Awards

Satyam has been ranked No. 1 in the American Society for Training and Development (ASTD)'s annual BEST awards programme for 2007. This also makes Satyam the first non-US organisation and the first in Asia to make it to the number one rank at ASTD BEST. The 2007 BEST Awards received entries from 103 organisations in eight countries.

The BEST awards recognise organisations that demonstrate enterprise-wide success through employee learning and development.

Satyam wins MAKE award

Satyam has been accorded the prestigious recognition by Most Admired Knowledge Enterprise (MAKE) as a top Asian Knowledge Organization for the second year in a row. The MAKE Awards are given to leading Asian organizations that leverage enterprise knowledge to create value through innovation, product or service excellence, and operational effectiveness.

Business Highlights

Satyam added 37 new customers including 8 Fortune Global and US 500 Corporations. Prominent customer additions including the world's leading retailer, a leading oil and natural gas exploration and production company and a world leading commercial and investment bank.

Satyam's prior experience in providing ADMS support for Back Office operations in Credit Cards domain has been a critical factor in securing a multi-year multi-million dollar engagement with a Leading Credit Cards transaction processing major based in North America.

iDecisions™, the business intelligence framework from Satyam added two more clients to its already impressive list of clients. A telecom major in the Middle East will be using iDecisions™ for Customer Intelligence, Sales Management and Churn Management. A leading Australian bank will utilize iDecisions™ Customer Intelligence for financial services as a solution accelerator to build a Customer Franchise Data Mart.

Satyam's deep domain and .NET architecture competency resulted in it being chosen by a major Custodial Bank and Asset Manager for the assessment phase of a complex migration of their alternative investment platform. This assessment would be the first phase of a major migration of this mission critical application which supports Hedge Funds and other Alternative Investments.

Citisoft, a Satyam Company has bagged an opportunity for Assessment and Enhancement of Equity Trading Platform with one of the leading Wall Street firm.

Satyam has been chosen by one of the leading downstream O&G major to provide an integrated financial solution to cater to the future growth and reporting requirements of the company's operationally independent refineries. Through this engagement Satyam will also assist the customer in their acquisitions program, by providing a strategy for the separation and consolidation of the IT systems and IT infrastructure.

Satyam has been chosen as one of the key suppliers by a global oil major as part of its 'Global Disaster Recovery Program' to reduce the risk and recovery time in the event of a disaster. Satyam is involved in the Design and the execution of the Infrastructure set up for the disaster recovery program.

Satyam's inherent strengths in the chemical manufacturing domain and competency in global service delivery for SAP application support enabled it to win a large order from a world leading specialty chemicals manufacturer. The multi-year engagement contract includes SAP implementation as well as end to end support in and across the company's offices and plants across the world.

Satyam has made an entry into the field of avionics with a new project on design and development of Optical Transceiver Board (OTB) with a leading German aerospace firm.

Satyam continued to win important new contracts in the Knowledge Services Outsourcing area, including a needs- based engineering services outsourcing contract with a major US supplier of capital equipment for the automotive, steel, aluminum, cement, and glass industries, as well as for the sugar and energy sectors.

Nipuna Services Limited — Business Highlights

For Q2 2008, Nipuna posted revenue of US$15.12 million, and a net loss of US$1.18 million. The quarter's revenue were up by 26.8%, quarter over quarter, and 68.1% YoY. The revenue guidance for fiscal 2008 is US$61 million, an increase of 60% over FY 2007.

Nipuna won a strategic deal with a key pharmaceutical customer, and earned an exceptionally high global ranking in "The Black Book of Outsourcing."

Nipuna teamed with Satyam to win a supply chain and inventory management project for a global oilfield provider of engineered services and products primarily to the offshore oil and gas industry. As a part of this strategic project, Satyam-Nipuna will be streamlining the client's supply chain and optimizing operations of its remotely operated vehicles, and capital spending.

Nipuna, the Satyam BPO, Becomes World's First eSCM Level 5 Company

In August, Nipuna was certified at Capability Level 5.0—the highest rating—according to the eSourcing Capability Model for Service Providers (eSCM-SP v2.0). The certification was granted by the prestigious IT Services Qualification Center (ITSqc) at Carnegie Mellon University in Pittsburgh, PA.

NIPUNA
A Satyam Company

investorLink

Satyam
What Business Demands.

Operational parameters for Q2, Fiscal 2008
(Please note that all metrics are based on Indian GAAP Standalone numbers only)

A. Revenue Analysis

Analysis of Volume Growth (%)

Particulars	Q2 2008	Q1 2008	Q2 2007
Change in Volume (Total)	9.10	9.50	9.52

Break up of export revenue between offshore and onsite (%)

Location	Q2 2008	Q1 2008	Q2 2007	FY 2007
Offshore	50.41	51.96	47.58	48.66
Onsite	49.59	48.04	52.42	51.34
Total	**100.00**	**100.00**	**100.00**	**100.00**

Revenue by region (%)

Region	Q2 2008	Q1 2008	Q2 2007	FY 2007
Americas	58.43	61.71	65.87	64.53
Europe	20.95	20.10	18.00	18.69
Rest of World	20.62	18.19	16.13	16.78
Total	**100.00**	**100.00**	**100.00**	**100.00**

Revenue by service offerings (%)

Technology	Q2 2008	Q1 2008	Q2 2007	FY 2007
Application Development & Maintenance Service	43.90	43.70	47.98	47.46
Consulting and Enterprise Business Solutions	45.04	44.20	40.42	41.41
Extended Engineering Solutions	6.53	7.20	6.40	6.58
Infrastructure Management Services	4.53	4.90	5.20	4.55
Total	**100.00**	**100.00**	**100.00**	**100.00**

Revenue by line of business (%)

Line of business	Q2 2008	Q1 2008	Q2 2007	FY 2007
Banking , Financial Services & Insurance	23.81	23.75	28.59	26.97
Manufacturing	23.73	25.87	26.69	27.18
TIMES (Telecom, Infrastructure, Media, Entertainment, Semiconductor)	23.52	21.95	20.36	20.58
Healthcare & Pharma	7.94	8.03	7.33	7.42
Retail, Tranportation & Logistics	7.48	6.90	5.20	5.79
Others	13.52	13.50	11.83	12.07
Total	**100.00**	**100.00**	**100.00**	**100.00**

Operational parameters for Q2, Fiscal 2008 (contd.)

Revenue by contract type (%)

Contract	Q2 2008	Q1 2008	Q2 2007	FY 2007
Time & Material	66.72	67.91	60.65	60.71
Fixed Bid	33.28	32.09	39.35	39.29
Total	**100.00**	**100.00**	**100.00**	**100.00**

Changes in billing rates (%)

	For the Quarter		
Particulars	Sequential	Year on Year	FY 2007
Onsite	2.21	4.72	1.18
Offshore	1.34	3.53	0.71

B. Associate Data
Location-wise break up of Associates

Particulars	Q2 2008	Q1 2008	Q2 2007
Onsite	8,949	7,635	6,428
Offshore	29,222	27,600	21,835
Domestic	982	1,121	1,567
Total Technical	**39,153**	**36,356**	**29,830**
Support	2,270	2,030	1,829
Total	**41,423**	**38,836**	**31,659**

Total number of associates including subsidiaries & joint ventures is 45,767

Attrition

Particulars	Q2 2008	Q1 2008	Q2 2007
Attrition rate (TTM)	13.89	14.90	16.21

Utilization/Loading rates (in %)

Particulars	Q2 2008	Q1 2008	Q2 2007	FY 2007
Onsite	97.13	96.19	96.99	96.84
Offshore	81.54	79.92	78.75	78.52
Domestic	96.61	70.04	95.60	94.48
Offshore with trainees	76.41	76.54	71.11	70.50

Satyam
What Business Demands.

Operational parameters for Q2, Fiscal 2008 (contd.)

C. Customer Information
Revenue contribution (in %)

Revenues from	Q2 2008	Q1 2008	Q2 2007	FY 2007
Top customer	5.81	5.66	6.68	6.52
Top 5 customers	20.84	21.08	22.26	21.97
Top 10 customers	33.86	34.35	33.93	34.12

Number of customers with annualized billing exceeding:

Revenues of	Q2 2008	Q1 2008	Q2 2007
US$1 million	213	190	154
US$5 million	75	65	54
US$10 million	40	36	32

Revenue from existing business and new business (%)

	Q2 2008	Q1 2008	Q2 2007
Existing business	93.14	89.48	86.12
New business	6.86	10.52	13.88
Total	**100.00**	**100.00**	**100.00**

Other Information

Particulars	Q2 2008	Q1 2008	Q2 2007
New customers added	37	29	35
Number of active customers	577	551	504
Receivable days	92	90	80

Total number of customers including Citisoft and Nipuna is 599

About Satyam Computer Services Limited

Satyam Computer Services Ltd. (NYSE: SAY) is a global IT consulting and services provider, offering a range of expertise aimed at helping customers re-engineer and re-invent their businesses to compete successfully in an ever-changing marketplace. Over 45,700* highly-skilled professionals in Satyam work onsite, offsite, offshore and nearshore, to provide customized IT solutions for companies in several industry sectors.

Satyam's ideas and products have resulted in technology-intensive transformations that have met the most stringent of international quality standards. Satyam Development Centers in India, the USA, the UK, the UAE, Canada, Hungary, Malaysia, Singapore, China, Japan and Australia serve 599* global companies, of which 173* are Fortune Global 500 and Fortune US 500 corporations. Satyam's presence spans 57* countries, across six continents.

** As of September 30, 2007*

Safe Harbor

This press release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements. For a discussion of the risks associated with our business, please see the discussions under the heading "Risk Factors" in our report on Form 20-F concerning the quarter ended March 31, 2007, furnished to the United States Securities Exchange Commission on April 30, 2007 and the other reports filed with the Securities Exchange Commission from time to time. These filings are available at **http://www.sec.gov.**

Contact Information

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Exhibit 99.4

Satyam Computer Services Limited

Description of Business

The Company is an information technology ("IT") services provider that uses a global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. The Company was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. The range of services offered by it, either on a "time and material" basis or "fixed price", includes consulting, systems design, software development, system integration and application maintenance. The Company offers a comprehensive range of IT services, including software development, packaged software integration, system maintenance and engineering design services. The Company has a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Statement on Significant Accounting Policies

a) Basis of Presentation

The financial statements of the Company are prepared under historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Indian Companies Act, 1956.

b) Use of Estimates

The preparation of the financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period/year. Actual results could differ from those estimates.

c) Revenue Recognition

Revenue from professional services consist primarily of revenue earned from services performed on a "time and material" basis. The related revenue is recognized as and when the services are performed.

The Company also performs time bound fixed-price engagements, under which revenue is recognized using the percentage of completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the period/year in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as advance from customers/unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

d) Fixed Assets

Fixed assets are stated at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

Depreciation on fixed assets is computed on the straight line method over their estimated useful lives at the rates which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs.5,000 are entirely depreciated in the period/year of acquisition.

The cost of and the accumulated depreciation of fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Costs of application software for internal use are generally charged to revenue as incurred due to its estimated useful lives being relatively short, usually less than one year.

The estimated useful lives are as follows:

Buildings	28 years
Computers	2 years
Plant and Machinery (Other than Computers)	5 years
Software — used in Development for Projects	3 years
Office Equipment	5 years
Furniture, Fixtures and Interiors	5 years
Vehicles	5 years

Capital work in progress

Assets under installation or under construction as at the Balance sheet date are shown as Capital work in progress. Advances paid towards acquisition of assets are also included under Capital work in progress.

e) Goodwill

Goodwill represents the difference between the purchase price and the book value of assets and liabilities acquired. Goodwill is amortized over the useful life of the asset. The goodwill is reviewed for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. If impairment is indicated, the asset is written down to its fair value.

f) Investments

Investments are classified into current investments and long-term investments. Current investments are carried at the lower of cost and market value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the profit and loss account. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

g) Foreign Currency Translation

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account.

Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

The operations of foreign branches of the company are of integral in nature and the financial statements of these branches are translated using the same principles and procedures as those of head office.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gain/Loss on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense of the period / year.

In all other cases the gain or loss on forward exchange contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period), is recognized in the profit and loss account of the period/year.

h) Employee Benefits

Contributions to defined Schemes such as Provident Fund, Employee State Insurance Scheme and Superannuation are charged as incurred on accrual basis. The Company also provides for gratuity and leave encashment in accordance with the requirements of revised Accounting Standard — 15 "Employee Benefits" based on actuarial valuation carried out as at the balance sheet date.

i) Taxes on Income

Tax expense for the year comprises of current tax and deferred tax. Current taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the period / year of change. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

j) Earnings per Share

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprises the net profit after tax (and includes the post tax effect of any extra ordinary items). The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period / year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving Basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period / year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). The number of shares and potentially dilutive shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

k) Associate Stock Option Scheme

Stock options granted to the associates under the stock option schemes established after June 19, 1999 are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on graded vesting basis over the vesting period of the options. The employee stock option outstanding is shown under Reserves and Surplus.

l) Research and Development

Revenue expenditure incurred on research and development is charged to revenue in the year/period in which it is incurred. Assets used for research and development activities are included in fixed assets.

Satyam Computer Services Limited

Balance Sheet

	Schedule Reference	As at 30.09.2007	As at 30.09.2006	Rs. in Crores As at 31.03.2007
I. Sources of Funds :				
1. Shareholders' Funds				
(a) Share Capital	1	133.71	130.93	133.44
(b) Share application money, pending allotment		4.39	1.86	7.85
(c) Reserves and Surplus	2	6,443.23	4,881.26	5,648.07
		6,581.33	**5,014.05**	**5,789.36**
2. Loan Funds				
(a) Secured Loans	3	22.34	13.38	13.79
		6,603.67	**5,027.43**	**5,803.15**
II. Application of Funds :				
1. Fixed Assets	4			
(a) Gross Block		1,394.43	1,218.79	1,280.40
(b) Less: Depreciation / Amortisation		991.64	866.75	930.45
(c) Net Block		**402.79**	**352.04**	**349.95**
(d) Capital Work in Progress		342.27	177.83	290.05
		745.06	**529.87**	**640.00**
2. Investments	5	422.16	193.39	201.15
3. Deferred Tax Assets (net)	6	61.33	40.54	43.36
4. Current Assets, Loans and Advances				
(a) Sundry Debtors	7	1,965.67	1,350.04	1,649.86
(b) Cash and Bank Balances	8	3,974.87	3,442.07	3,959.82
(c) Other Current Assets - Interest Accrued on Fixed Deposits		168.73	153.53	64.83
(d) Loans and Advances	9	277.46	209.81	261.75
		6,386.73	**5,155.45**	**5,936.26**
Less: Current Liabilities and Provisions				
(a) Liabilities	10	614.78	605.88	597.17
(b) Provisions	11	396.83	285.94	420.45
		1,011.61	**891.82**	**1,017.62**
Net Current Assets		**5,375.12**	**4,263.63**	**4,918.64**
		6,603.67	**5,027.43**	**5,803.15**
Notes on Accounts	15			

Satyam Computer Services Limited

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For and on behalf of the Board of Directors

Srinivas Talluri
Partner
for and on behalf of
Price Waterhouse
Chartered Accountants

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director & Sr. Vice President - Finance

G. Jayaraman
Sr. Vice President (Corp. Governance) &
Company Secretary

Place : Secunderabad
Date : October 23, 2007

Place : Secunderabad
Date : October 23, 2007

Satyam Computer Services Limited

Profit and Loss Account

Rs. in Crores

	Schedule Reference	For the Quarter Ended 30.09.2007	For the Quarter Ended 30.09.2006	For the Half Year Ended 30.09.2007	For the Half Year Ended 30.09.2006	For the Year Ended 31.03.2007
Income						
Services						
- Exports		1,883.02	1,465.42	3,589.29	2,797.84	5,961.06
- Domestic		65.22	72.29	118.03	126.73	267.41
Other Income	12	108.20	28.13	170.05	102.51	181.61
		2,056.44	**1,565.84**	**3,877.37**	**3,027.08**	**6,410.08**
Expenditure						
Personnel Expenses	13	1,251.05	945.49	2,310.43	1,740.62	3,706.04
Operating and Administration Expenses	14	295.58	234.86	582.57	470.94	993.31
Financial Expenses		0.47	0.26	0.98	1.33	7.61
Depreciation / Amortisation		32.68	32.81	65.23	65.11	129.89
		1,579.78	**1,213.42**	**2,959.21**	**2,278.00**	**4,836.85**
Profit Before Taxation		476.66	352.42	918.16	749.08	1,573.23
Provision for Taxation - Current		76.06	43.00	122.86	88.65	168.15
- Fringe Benefit		3.72	2.70	6.97	5.40	12.06
- Deferred		(20.27)	(15.62)	(17.96)	(27.40)	(30.21)
Profit After Taxation		**417.15**	**322.34**	**806.29**	**682.43**	**1,423.23**
Add: Balance brought forward		4,237.46	3,196.90	3,848.32	2,836.81	2,836.81
Less: Residual dividend and additional dividend tax		0.33	(0.56)	0.33	(0.56)	(0.56)

Satyam Computer Services Limited

	Schedule Reference	For the Quarter Ended 30.09.2007	For the Quarter Ended 30.09.2006	For the Half Year Ended 30.09.2007	For the Half Year Ended 30.09.2006	For the Year Ended 31.03.2007
						Rs. in Crores
Profit Available for Appropriation		**4,654.28**	**3,519.80**	**4,654.28**	**3,519.80**	**4,260.60**
Appropriations :						
Interim Dividend @ Rs. 1.00 per Equity Share of Rs. 2.00 each (2007- Rs. 1.00 per Equity Share)		66.88	65.61	66.88	65.61	65.61
Final Dividend (2007- Rs. 2.50 per Equity Share)		—	—	—	—	166.80
Tax on dividends		11.37	9.20	11.37	9.20	37.55
Transfer to General Reserve		—	—	—	—	142.32
Balance carried to Balance Sheet		**4,576.03**	**3,444.99**	**4,576.03**	**3,444.99**	**3,848.32**
Earnings Per Share (Rs. per equity share of Rs. 2 each)						
Basic		6.24	4.93	12.07	10.46	21.73
Diluted		6.09	4.78	11.78	10.14	21.25
No. of Shares used in computing Earnings Per Share						
Basic		668,193,383	653,538,584	667,797,808	652,502,120	654,853,959
Diluted		684,809,807	673,862,942	684,386,217	672,826,478	669,626,864
Notes on Accounts	15					

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

for and on behalf of the Board of Directors

Satyam Computer Services Limited

Srinivas Talluri Partner for and on behalf of **Price Waterhouse** Chartered Accountants	**B. Ramalinga Raju** Chairman	**B. Rama Raju** Managing Director
	V. Srinivas Director & Sr. Vice President — Finance	**G. Jayaraman** Sr. Vice President (Corp. Governance) & Company Secretary
Place : Secunderabad Date : October 23, 2007		Place : Secunderabad Date : October 23, 2007

Satyam Computer Services Limited

Schedules annexed to and forming part of the Balance Sheet

		As at 30.09.2007	As at 30.09.2006	Rs. in Crores As at 31.03.2007
1.	**Share Capital**			
	Authorised :			
	800,000,000 Equity Shares of Rs. 2 each	**160.00**	**160.00**	**160.00**
	Issued and Subscribed :			
	668,549,777 (September 30, 2006 - 654,634,308; March 31, 2007 — 667,196,009) Equity Shares of Rs. 2 each fully paid-up	133.71	130.93	133.44
	Out of the above:			
	4,000,000 Equity Shares of Rs. 2 each were allotted as fully paid-up for a consideration other than cash pursuant to the Scheme of Amalgamation with Satyam Enterprise Solutions Limited			
	468,289,738 (September 30, 2006 - 467,912,154; March 31, 2007 — 468,289,738) Equity Shares of Rs. 2 each were allotted as fully paid-up by way of Bonus Shares by capitalising free reserves of the Company			
	130,314,742 (September 30,2006 -129,600,640;March 31,2007-130,209,472) Equity Shares of Rs. 2 each fully paid-up represent 65,157,371 (September 30,2006 - 64,800,320;March 31,2007-65,104,736) American Depository Shares			
	39,469,777 (September 30,2006 - 25,554,308;March 31,2007-38,116,009) Equity Shares of Rs. 2 each fully paid-up were alloted to associates of the Company pursuant to the Associate Stock Option Plan — B (ASOP-B) and Associate Stock Option Plan - ADS (ASOP-ADS)			
2.	**Reserves and Surplus**			
	Share Premium Account			
	As at April 1	1,321.18	1,028.63	1,028.63
	Add: Received on account of issue of ASOP	21.29	87.48	292.55
		1,342.47	1,116.11	1,321.18
	General Reserve			
	As at April 1	462.10	402.79	402.79
	Add: Transfer from the Profit and Loss Account	—	—	142.32
		462.10	402.79	545.11
	Less: Provision for leave encashment (Refer note (l) of Schedule 15)	—	17.47	17.47
	Less: Utilised on issue of bonus shares (Refer note (i) of Schedule 15)	—	65.46	65.54
		462.10	319.86	462.10

		As at 30.09.2007	As at 30.09.2006	As at 31.03.2007
				Rs. in Crores
	Employee Stock Options			
	Employee Stock Options Outstanding	180.98	0.30	180.61
	Less: Deferred Employee Compensation	118.35	—	164.14
		62.63	0.30	16.47
	Balance in Profit and Loss Account	4,576.03	3,444.99	3,848.32
		6,443.23	**4,881.26**	**5,648.07**
3.	**Secured Loans**			
	Vehicle Loans	22.34	13.38	13.79

Satyam Computer Services Limited

Schedules annexed to and forming part of the Balance Sheet

4. Fixed Assets

Rs. in Crores

DESCRIPTION	GROSS BLOCK As at 01.04.2007	GROSS BLOCK Additions	GROSS BLOCK Deletions	GROSS BLOCK As at 30.09.2007	DEPRECIATION /AMORTISATION As at 01.04.2007	DEPRECIATION /AMORTISATION For the period	DEPRECIATION /AMORTISATION On Deletions	DEPRECIATION /AMORTISATION As at 30.09.2007	NET BLOCK As at 30.09.2007	NET BLOCK As at 31.03.2007
1. Land & Land Development										
-Freehold*	38.24	—	—	38.24	—	—	—	—	38.24	38.24
-Leasehold	8.13	0.64	—	8.77	0.03	0.01	—	0.04	8.73	8.10
2. Buildings**	101.76	15.46	—	117.22	16.84	2.03	—	18.87	98.35	84.92
3. Plant and Machinery (Including Computers and Software)	873.32	62.55	1.62	934.25	733.63	47.80	1.62	779.81	154.44	139.69
4. Office Equipment	25.99	2.83	—	28.82	17.01	1.84	—	18.85	9.97	8.98
5. Furniture, Fixtures and Interiors	194.90	25.76	—	220.66	146.41	9.47	—	155.88	64.78	48.49
6. Vehicles	38.06	12.13	3.72	46.47	16.53	4.08	2.42	18.19	28.28	21.53
Total	**1,280.40**	**119.37**	**5.34**	**1,394.43**	**930.45**	**65.23**	**4.04**	**991.64**	**402.79**	**349.95**
As at 30.09.2006	**1,153.16**	**68.87**	**3.24**	**1,218.79**	**803.74**	**65.11**	**2.10**	**866.75**	**352.04**	—

* Includes Rs. 12.24 crores (March 31, 2007-Rs.12.24 crores) in respect of which deed of conveyance is pending.

** Includes Rs.38.85 crores (March 31, 2007-Rs.38.85 crores) constructed on leasehold land.

Satyam Computer Services Limited

Schedules annexed to and forming part of the Balance Sheet

Rs. in Crores

	As at 30.09.2007		As at 30.09.2006		As at 31.03.2007	
5. Investments						
Long Term						
i) Trade (Unquoted)						
Satyam Venture Engineering Services Private Limited 3,544,480 Shares of Rs. 10 each, fully paid-up		3.54		3.54		3.54
CA Satyam ASP Private Limited 7,168,995 Equity Shares of Rs. 10 each, fully paid-up		7.17		7.17		7.17
Intouch Technologies Limited 833,333 Shares of 20 US cents each, fully paid-up	10.90		10.90		10.90	
Less : Provision for diminution	10.90	—	10.90	—	10.90	—
Medbiquitious Services Inc., 334,000 Shares of ‘A’ series Preferred Stock of US Dollars 0.001 each, fully paid-up	1.57		1.57		1.57	
Less : Provision for diminution	1.57	—	1.57	—	1.57	—
	—		—		—	
Avante Global LLC., 577,917 class ‘A’ units representing a total value of US Dollars 540,750	2.54		2.54		2.54	
Less : Provision for diminution	2.54	—	2.54	—	2.54	—
Jasdic Park Company 480 Shares of J Yen 50,000 each, fully paid-up	0.75		0.75		0.75	
Less : Received on liquidation	0.26		0.26		0.26	
Less : Provision for diminution	0.49	—	0.49	—	0.49	—
	—		—		—	
Investments in subsidiary companies						
Satyam Technologies Inc., 100,000 Common Stock of 1 US cent each, fully paid-up		20.22		20.22		20.22

Rs. in Crores

	As at 30.09.2007		As at 30.09.2006		As at 31.03.2007	
Nipuna Services Limited (Refer note d (iii) of Schedule 15) 31,426,702 (September 30, 2006 and March 31,2007 — 18,268,000) Equity Shares of Rs. 10 each, fully paid-up		225.31		18.27		18.27
Satyam Computer Services (Shanghai) Co. Limited[$$] (Additional subscription during the period/year)		31.07		17.99		25.75
Satyam Computer Services (Nanjing) Co. Limited[$$] (Subscribed during the period)		1.62		—		—
Citi Soft plc* (Refer note d (i) of Schedule 15) 11,241,000 Ordinary Shares of 0.01 GBP each, fully paid up		114.63		111.56		111.56
Knowledge Dynamics Pte Ltd (Refer note d (ii) of Schedule 15) 10,000,000 Ordinary Shares of 0.01 SGD each, fully paid up		18.60		14.64		14.64
Satyam (Europe) Limited 1,000,000 Equity Shares of 1 GBP each, fully paid-up	6.98		6.98		6.98	
Less: Provision for losses	6.98	—	6.98	—	6.98	—
Satyam Japan KK 200 Common Stock of J Yen 50,000 each, fully paid-up	0.42		0.42		0.42	
Less: Provision for losses	0.42	—	0.42	—	0.42	—
Satyam Asia Pte Limited 400,000 Ordinary Shares of 1 Singapore Dollar each, fully paid-up	1.03		1.03		1.03	
Less: Provision for losses	1.03	—	1.03	—	1.03	—
Dr. Millennium, Inc., 710,000 Common Stock of 1 US Dollar each , fully paid-up	3.09		3.09		3.09	
Less : Received on account of reduction of Share Capital	2.99		2.99		2.99	
Less: Provision for losses	0.10	—	0.10	—	0.10	—
	—		—		—	

							Rs. in Crores
		As at 30.09.2007		As at 30.09.2006		As at 31.03.2007	
	Vision Compass, Inc. 425,000,000 Common Stock of 1 US Cent each, fully paid-up	89.94		89.94		89.94	
	Less : Provision for diminution	89.94	—	89.94	—	89.94	—
	Satyam IdeaEdge Technologies Private Limited 10,000 Equity Shares of Rs. 10 each, fully paid-up	0.01		0.01		0.01	
	Less : Provision for diminution	0.01	—	0.01	—	0.01	—
ii)	**Non Trade (Unquoted)**						
	National Savings Certificates,VIII Series (Lodged as security with government authorities)		—		—		—
			422.16		**193.39**		**201.15**

$$ Investment is not denominated in number of shares as per laws of the People's Republic of China.

Schedules annexed to and forming part of the Balance Sheet

Rs. in Crores

	As at 30.09.2007	As at 30.09.2006	As at 31.03.2007
6. Deferred Tax Assets (net)			
Debtors — Provision for doubtful debts	11.80	11.01	11.83
Advances — Provision for doubtful advances	1.45	1.43	1.43
Fixed Assets — Depreciation	(20.78)	(24.91)	(24.13)
Others — Retirement Benefits etc.	68.86	53.01	54.23
	61.33	**40.54**	**43.36**
7. Sundry Debtors (Unsecured)			
Considered good *			
(a) Over six months old	38.25	20.66	23.79
(b) Other debts	1,927.42	1,329.38	1,626.07
	1,965.67	1,350.04	1,649.86
Considered doubtful **	125.46	108.36	117.26
	2,091.13	1,458.40	1,767.12
Less: Provision for doubtful debts **	125.46	108.36	117.26
	1,965.67	**1,350.04**	**1,649.86**

* Debtors include dues from subsidiaries Rs. 6.95 crores (September 30,2006 — Rs. 6.04 crores,March 31,2007-Rs.4.15 crores) and Unbilled revenue Rs. 240.09 crores (September 30,2006 — Rs. 201.15 crores,March 31,2007- Rs.158.18 crores)

** Includes dues from subsidiaries Rs. 18.89 crores (September 30,2006 — Rs. 18.89 crores,March 31,2007-Rs.18.89 Crores)

	As at 30.09.2007	As at 30.09.2006	As at 31.03.2007
8. Cash and Bank Balances			
Cash on hand	0.12	0.05	0.04
Balances with Scheduled Banks			
- On Current Accounts*	472.64	1,490.34	415.18
- On Deposit Accounts	3,318.83	1,801.02	3,365.82
Unclaimed Dividend Accounts	18.86	10.93	6.33
Balances with Non-Scheduled Banks**			
- On Current Accounts	163.61	138.96	171.61
- On Deposit Accounts	0.81	0.77	0.84
	3,974.87	**3,442.07**	**3,959.82**

* Includes unutilised amount of ADS issue proceeds — Rs. Nil (September 30,2006 — Rs. 62.87 crores,March 31,2007-Nil)

** Refer note (f) of Schedule 15

9. Loans and Advances
(Considered good unless otherwise stated)

Secured — Loans	0.02	0.09	0.04
Unsecured — Advances recoverable in cash or in kind or for value to be received*	185.01	132.56	182.28
- Deposits	92.43	77.16	79.43
Considered doubtful — Advances **	74.13	65.37	71.33
	351.59	275.18	333.08
Less: Provision for doubtful Advances **	74.13	65.37	71.33
	277.46	**209.81**	**261.75**

* Includes advances and share application money to subsidiaries Rs. 45.71 crores (September 30,2006 — Rs. 18.08 crores,March 31,2007-Rs.44.96 crores)

** Includes due from subsidiaries Rs.48.12 crores (September 30,2006 — Rs. 48.12 crores,March 31,2007-Rs.48.12 crores)

10. Liabilities

Sundry Creditors			
- Dues to small scale industrial undertakings	—	—	—
- Dues to other than small scale industrial undertakings	362.15	458.91	443.33
Advances from Customers	1.24	1.14	1.23
Unearned Revenue	141.21	76.53	87.52
Investor Education Protection Fund shall be credited by the following amounts —			
Unclaimed Dividends	18.86	10.93	6.33
Other Liabilities	91.32	58.37	58.76
	614.78	**605.88**	**597.17**

11. Provisions

Provision for Taxation (less payments)	116.01	53.64	64.20
Proposed Dividend (including tax thereon)	78.24	74.81	195.15
Provision for Gratuity and Leave Encashment	202.58	157.49	161.10
	396.83	**285.94**	**420.45**

Satyam Computer Services Limited

Schedules annexed to and forming part of the Profit and Loss Account

Rs. in Crores

	For the Quarter Ended 30.09.2007	For the Quarter Ended 30.09.2006	For the Half Year Ended 30.09.2007	For the Half Year Ended 30.09.2006	For the Year Ended 31.03.2007
12. Other Income					
Interest on deposits and advances - Gross {Tax Deducted at Source Rs. 30.55 crores} (half year ended September 30, 2006- Rs.12.86 crores,year ended March 31,2007 - Rs. 25.94 crores)	67.78	28.60	135.12	57.48	165.77
Gain/(Loss) on exchange fluctuations (net)	40.01	(0.97)	33.90	44.22	13.54
Miscellaneous income	0.41	0.50	1.03	0.81	2.30
	108.20	**28.13**	**170.05**	**102.51**	**181.61**
13. Personnel Expenses					
Salaries and bonus	1,133.28	879.61	2,095.47	1,619.79	3,425.89
Contribution to provident and other funds	90.04	63.23	159.76	114.27	248.22
Staff welfare expenses	5.23	2.82	9.04	6.74	15.94
Employee stock compensation expense	22.50	(0.17)	46.16	(0.18)	15.99
	1,251.05	**945.49**	**2,310.43**	**1,740.62**	**3,706.04**
14. Operating and Administration Expenses					
Rent	28.94	22.69	53.52	41.56	88.07
Rates and taxes	7.62	5.33	13.12	11.15	24.46
Insurance	3.91	4.04	7.74	7.87	16.52
Travelling and conveyance	110.44	87.48	209.32	163.52	367.57
Communication	18.37	17.37	37.42	32.65	64.32
Printing and stationery	3.37	3.43	4.41	4.58	8.10
Power and fuel	11.48	8.40	22.89	17.19	34.68
Advertising	1.63	0.98	2.69	2.16	3.24
Marketing expenses	15.84	13.07	32.94	30.46	59.63
Repairs and maintenance					
- Buildings	1.04	0.73	1.82	1.35	2.69
- Machinery	4.91	2.90	8.80	6.49	14.45
- Others	7.25	6.07	13.30	11.23	27.00
Security services	1.93	1.23	3.52	2.21	4.97
Legal and professional charges	40.70	38.12	83.50	71.10	139.48
Provision for doubtful debts and advances	6.51	2.21	12.45	4.47	19.33
Loss on sale of Fixed Assets (net)	0.52	0.24	0.88	0.40	0.79
Directors' sitting fees	0.02	0.01	0.03	0.02	0.04

Rs. in Crores

	For the Quarter Ended 30.09.2007	For the Quarter Ended 30.09.2006	For the Half Year Ended 30.09.2007	For the Half Year Ended 30.09.2006	For the Year Ended 31.03.2007
Auditors' remuneration	0.86	0.35	1.51	0.62	3.67
Donations and contributions	2.40	0.87	3.44	1.74	3.62
Subscriptions	1.61	0.58	2.32	1.23	3.13
Training and development	12.25	4.87	21.49	8.87	22.35
Research and development	0.39	0.30	0.80	0.64	1.29
Software charges	3.96	2.77	7.19	11.17	20.22
Managerial remuneration					
- Salaries	0.54	0.08	1.06	0.17	1.66
- Commission	0.14	0.15	0.36	0.30	0.95
- Contribution to Provident Fund	0.01	0.01	0.02	0.02	0.04
- Others	0.08	0.06	0.12	0.11	0.22
Visa charges	4.19	5.89	27.91	29.17	44.47
Miscellaneous expenses	4.67	4.63	8.00	8.49	16.35
	295.58	**234.86**	**582.57**	**470.94**	**993.31**

Satyam Computer Services Limited

15. Notes on Accounts

a) Associate Stock Option Plans

i. Scheme established prior to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, (SEBI Guidelines on Stock Options).

In May 1998, the Company established its Associate Stock Option Plan (the "ASOP"). The Company subsequently established an employee welfare trust called the Satyam Associates Trust (the "Trust"), to administer the ASOP and issued warrants to purchase 6,500,000 equity shares of Rs. 2 each in the Company. In turn, the Trust periodically grants to eligible employees warrants to purchase equity shares held by trust for the issuance to the employees. The warrants may vest immediately or may vest over a period ranging from two to three years, depending on the employee's length of service and performance. Upon vesting, employees have 30 days to exercise warrants. The exercise price of the warrants was fixed at Rs. 450 per warrant.

At the 12th Annual General Meeting held on May 28, 1999, shareholders approved a 1:1 Bonus issue to all shareholders as of August 31, 1999. In order to ensure all its employees receive the benefits of the bonus issue in December 1999, the Trust exercised all its warrants to purchase the Company's shares prior to the bonus issue using the proceeds obtained from bank loans. Subsequent to this, each warrant entitles the holder to purchase 10 shares of Rs. 2 each of the Company at a price of Rs. 450 per warrant plus an interest component associated with the loan which the Trust assumed, for conversion of the warrants it held. The interest component is computed based on fixed vesting period and a fixed interest rate. As this scheme is established prior to the SEBI guidelines on the stock options, there is no cost relating to the grant of options under this scheme.

ii. Scheme established after SEBI Guidelines on Stock Options.

Securities Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999, which is applicable for all Stock Option Schemes established after June 19, 1999.

The Company has established a scheme "Associate Stock Option Plan – B" (ASOP — B) for which 83,454,280 equity shares of Rs. 2 each were earmarked. These warrants vest over a period of 2-4 years from the date of the grant. Upon vesting, associates have 5 years to exercise these shares.

Accordingly, options (net of cancellations) for a total number of 17,836,785 equity shares of Rs. 2 each were outstanding as at September 30, 2007 (September 30, 2006 – 33,568,564 , March 31, 2007 – 19,976,210).

Changes in number of options outstanding were as follows:

	Quarter ended September 30,		Half year ended September 30,		Year ended
Options	**2007**	**2006**	**2007**	**2006**	**March 31, 2007**
At the beginning of the period / year	19,117,177	40,628,076	19,976,210	45,605,388	45,605,388
Granted	—	—	—	—	—
Exercised	(810,108)	(1,943,694)	(1,248,498)	(5,495,790)	(17,448,659)
Cancelled	(436,175)	(5,115,818)	(856,818)	(6,541,034)	(8,180,519)
Lapsed	(34,109)	—	(34,109)	—	—
At the end of the period / year	17,836,785	33,568,564	17,836,785	33,568,564	19,976,210

iii. Associate Stock Option Plan (ADS)

The Company has established a scheme "Associate Stock Option Plan (ADS)" to be administered by the Administrator of the ASOP (ADS), a committee appointed by the Board of Directors of the Company. Under the scheme 5,149,330 ADS are reserved to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the day of grant as decided by the Administrator of the ASOP (ADS). Each ADS represents two equity shares of Rs. 2 each fully paid up. These warrants vest over a period of 1-10 years from the date of the grant. The time available to exercise the warrants upon vesting is as decided by the Administrator of the ASOP (ADS).

Accordingly, options (net of cancellation) for a total number of 1,391,533 ADS (September 30, 2006 – 1,776,470, March 31, 2007 – 1,461,064) representing 2,783,066 equity shares of Rs.2 each were outstanding as at September 30, 2007 (September 30, 2006 — 3,552,940, March 31, 2007 — 2,922,128).

Changes in number of options outstanding were as follows:

Options	Quarter ended September 30, 2007	Quarter ended September 30, 2006	Half year ended September 30, 2007	Half year ended September 30, 2006	Year ended March 31, 2007
At the beginning of the period / year	1,439,946	1,900,496	1,461,064	1,991,342	1,991,342
Granted	—	—	—	20,000	20,000
Exercised	(34,573)	(35,266)	(52,635)	(119,720)	(424,136)
Cancelled	(13,100)	(88,760)	(16,156)	(115,152)	(126,142)
Lapsed	(740)	—	(740)	—	—
At the end of the period / year	1,391,533	1,776,470	1,391,533	1,776,470	1,461,064

iv. Associate Stock Option Plan — Restricted Stock Units (ASOP – RSUs)

The Company has established a scheme "Associate Stock Option Plan — Restricted Stock Units (ASOP – RSUs)" to be administered by the Administrator of the ASOP – RSUs, a committee appointed by the Board of Directors of the Company. Under the scheme 13,000,000 equity shares are reserved to be issued to eligible associates at a price to be determined by the Administrator which shall not be less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the warrants upon vesting is five years from the date of vesting.

Accordingly, options (net of cancellations) for a total number of 3,254,850 ASOP-RSUs equity shares of Rs. 2 each were outstanding as at September 30, 2007 (September 30, 2006- Nil, March 31, 2007 — 3,293,140).

Options	Quarter ended September 30, 2007	Quarter ended September 30, 2006	Half year ended September 30, 2007	Half year ended September 30, 2006	Year ended March 31, 2007
At the beginning of the period / year	3,318,140	—	3,293,140	—	—
Granted	28,000	—	53,000	—	3,293,140
Exercised	—	—	—	—	—
Cancelled	(91,290)	—	(91,290)	—	—
At the end of the period / year	3,254,850	—	3,254,850	—	3,293,140

v. Associate Stock Option Plan — RSUs (ADS) (ASOP – RSUs (ADS))

The Company has established a scheme "Associate Stock Option Plan — RSUs (ADS)" to be administered by the Administrator of the ASOP – RSUs (ADS), a committee appointed by the Board of Directors of the Company. Under the scheme 13,000,000 equity shares minus the number of shares issued from time to time under the Associate Stock Option Plan — RSUs are reserved to be issued to eligible associates at a price to be determined by the Administrator not less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the warrants upon vesting is five years from the date of vesting.

Accordingly, options (net of cancellation) for a total number of 257,340 ADS (September 30, 2006- Nil, March 31, 2007 — 236,620) representing 514,680 equity shares of Rs. 2 each were outstanding as at September 30, 2007 (September 30, 2006- Nil, March 31, 2007 — 473,240)

Options	Quarter ended September 30, 2007	Quarter ended September 30, 2006	Half year ended September 30, 2007	Half year ended September 30, 2006	Year ended March 31, 2007
At the beginning of the period / year	254,120	—	236,620	—	—
Granted	15,000	—	32,500	—	236,620
Exercised	—	—	—	—	—
Cancelled	(11,780)	—	(11,780)	—	—
At the end of the period / year	257,340	—	257,340	—	236,620

Pro forma disclosures

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black Scholes' model, the pro forma amounts of the Company's net profit and earnings per share would have been as follows:

	Particulars	Quarter ended September 30, 2007	2006	Half year ended September 30, 2007	2006	Year ended March 31, 2007
1.	**Profit after Taxation**					
	- As reported (Rs. in crores)	417.15	322.34	806.29	682.43	1,423.23
	- Pro forma (Rs. in crores)	411.82	306.97	797.27	651.05	1,373.05
2.	**Earnings per share:**					
	Basic					
	- No. of shares	668,193,383	653,538,584	667,797,808	652,502,120	654,853,959
	- EPS as reported (Rs.)	6.24	4.93	12.07	10.46	21.73
	- Pro forma EPS (Rs.)	6.16	4.70	11.94	9.98	20.97
	Diluted					
	- No. of shares	684,809,807	673,862,942	684,386,217	672,826,478	669,705,425
	- EPS as reported (Rs.)	6.09	4.78	11.78	10.14	21.25
	- Pro forma EPS (Rs.)	6.01	4.56	11.65	9.68	20.50

The following assumptions were used for calculation of fair value of grants:

	Quarter ended September 30, 2007	2006	Half year ended September 30, 2007	2006	Year ended March 31, 2007
Dividend yield (%)	0.78	0.75	0.78	0.75	0.78
Expected volatility (%)	56.64	56.15	56.64	56.15	59.01
Risk-free interest rate (%)	8.00	7.00	8.00	7.00	8.00
Expected term (in years)	0.97	1.14	0.97	1.14	0.96

(b) Share application money pending allotment

Amount received from associates on exercise of stock options, pending allotment of shares is shown as share application money, pending allotment.

(c) Secured Loans

Vehicles are hypothecated to the Banks as security for the amounts borrowed.

(d) Investments

i) During May 2005, the Company acquired Citisoft Plc ("Citisoft"), a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry, with operating presence in London, Boston and New York.

The Company acquired 75% of the shareholding in Citisoft for an initial cash consideration of Rs. 62.35 crores (inclusive of acquisition costs), a deferred consideration of Rs. 13.63 crores (equivalent GBP 1.75 million). The company was also required to pay a maximum earn-out consideration amounting to Rs. 18.35 crores (equivalent GBP 2.25 million) based on achievement of targeted revenues and profits and Employee Benefit Trust (EBT) contribution of Rs. 8.00 crores (equivalent GBP 0.9 million).

On June 29, 2006, the Company acquired the remaining 25% shareholding for a consideration of Rs. 27.47 crores (equivalent GBP 3.26 million) and a maximum earn-out consideration of Rs. 28.87 crores (equivalent GBP 3.54 million) based on achievement of targeted revenues and profits and a maximum EBT contribution of Rs. 14.68 crores (equivalent GBP 1.80 million) contingent on Citisoft achieving certain revenue and profit performance targets. The Company paid Rs. 0.65 crores (Equivalent GBP 0.08 million) towards EBT contribution in May 2007.

On June 29, 2007, the Company entered into an amendment agreement with the selling shareholders providing for an early exit of the selling shareholders. As per the amendment agreement, an exit consideration of Rs. 14.25 crores (Equivalent GBP 1.74 million) and payment towards EBT of Rs. 0.65 crores (Equivalent GBP 0.08 million) is payable by the Company in July 2007 upon selling shareholders agreeing for removal of provisions of deferred consideration, maximum earn-out consideration and a portion of payments towards EBT. The exit consideration and EBT contribution payable as per the amended agreement have been paid in July 2007 and the payment has been recognized as cost of investment by the Company.

ii) During October 2005, the Company acquired Knowledge Dynamics Pte Ltd (KDPL), a leading Data Warehousing and Business Intelligence Solutions provider, with operating presence in Singapore, Malaysia, USA and India.

The Company acquired 100% of the shareholding in KDPL for a consideration of Rs. 14.64 crores (inclusive of acquisition costs). A maximum earn out consideration of Rs. 4.87 crores (Equivalent SGD 1.84 million) is payable on April 30, 2008, based on achievement of targeted revenues and profits.

On July 19 2007, the company entered into an amendment agreement with the selling shareholders of KDPL on agreeing to the terms of the agreement including removal of provisions relating to earn out consideration. As per the amendment agreement, an exit consideration of Rs. 2.97 Crores (Equivalent SGD 1.11 million) has been paid by the company in July 2007. In addition to the exit consideration the company agreed to make a deferred payment of Rs. 0.99 Crores (Equivalent SGD 0.37 million) payable by May 15, 2008.The exit consideration and deferred payment has been recognised as cost of investment by the Company.

Further the Company agreed to make a maximum earn-out payment of Rs. 1.98 Crores (Equivalent SGD 0.74 million) on or before May 15, 2008. The actual amount of earn-out payment to be made is based on the revenue of KDPL for the year 2007-08.

iii) Nipuna Services Limited (a subsidiary–Nipuna) issued 45,669,999 and 45,340,000 0.05% Convertible Redeemable Cumulative Preference Shares of par value of Rs.10 each fully paid–up in October 2003 and June 2004 respectively to Olympus BPO Holdings Ltd. and Intel Capital Corporation ("Preference shareholders") for an aggregate consideration of Rs. 91.01 crores (equivalent to US$ 20 millions). These Preference shares are to be mandatorily converted into such number of equity shares latest by June 2007 or redeemed based on certain provisions in the agreement entered with the preference shareholders relating to revenues and profits earned up to March 31, 2006. The said preference shares, if not converted or early converted at the option of the preference shareholders based on certain triggering events, are redeemable on maturity in June 2007 at a redemption premium, which could range in between 7.5% to 13.5% p.a.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement ("SPRA Agreement") was entered into between the Company, the preference shareholders and Nipuna. Out of the total preference shares, 50% of the preference shares of Rs. 45.51 crores (Equivalent US$ 10 million) were redeemable for Rs. 60.10 crores (Equivalent US$ 13.6 million) at the target date on May 21, 2007 and the balance 50% were to be converted into equity shares of Nipuna based on the terms of the subscription agreement. The preference shareholders gave Nipuna a Notice of Conversion of Preference Shares and in January 2007, 45,505,000 preference shares have been converted into 6,422,267 equity shares of Nipuna.

Further as per the SPRA Agreement, the Company agreed to purchase and the preference shareholders agreed to sell these equity shares at an aggregate purchase price based on a formula. If the share purchase closing occurred on or before the share purchase target date (May 21, 2007) then the purchase price would have ranged from a minimum of Rs. 152.57 crores (Equivalent US$ 35 million) to maximum of Rs. 196.16 crores (Equivalent US$ 45 million), however if an acceleration event occurred the purchase price would have equal Rs. 196.16 crores (Equivalent US$45 million). If the share purchase closing occurred after the share purchase target date then the purchase price shall not have been less than Rs. 152.57 crores (Equivalent US$ 35 million) however if an acceleration event occurred the purchase price shall not have been less than Rs. 196.16 crores (Equivalent US$45 million). This was subject to fulfillment of terms and conditions specified in the agreement and obtaining necessary approvals from appropriate authorities. As of March 31, 2007, an acceleration event had occurred.

On August 14, 2007, the Company purchased 4,816,750 equity shares of Nipuna from Olympus BPO Holdings Ltd for Rs. 141.81 crores (Equivalent US$38.88 million). The transaction for the purchase of equity shares of Nipuna from Intel Capital Corporation has not been consummated as of September 30, 2007.

On August 14, 2007, the Company subscribed to further 8,055,000 equity shares of Nipuna of Rs. 10 each at a premium of Rs. 60 per share aggregating to Rs. 56.39 crores.

The Company also purchased 286,952 equity shares vested and exercised by Nipuna employees under the Employee Stock Options plan for Rs.8.46 crores as consideration for the transaction.

(e) Land

The Company acquired 14.93 acres of land at Hyderabad from Andhra Pradesh Industrial Infrastructure Corporation (APIIC) at a rebate for an aggregate purchase consideration of Rs.7.21 crores. Non-compliance with certain terms and conditions would attract withdrawal of rebate, which may increase the cost of land.

(f) Balances with Non-Scheduled Banks

Rs. in crores

Name of the Bank	Balances			Maximum Balances		
	As at September 30,		As at March 31,	Half year ended September 30,		Year ended March 31,
	2007	2006	2007	2007	2006	2007
Balances with Non-Scheduled Banks						
On Current Accounts						
Banco Do Brasil, Brasil	0.52	—	0.60	2.34	—	1.59
Banque Nationale De Paris, Brussels	1.94	0.95	1.80	2.90	4.73	5.33
Banque Nationale De Paris, France	1.10	0.99	1.88	2.26	4.55	4.55
Banque Nationale De Paris, Hague	2.95	3.93	2.84	7.64	5.90	8.04
Banque Nationale De Paris, Ireland	1.03	1.29	1.66	1.68	1.69	1.96
Banque Nationale De Paris, Italy	0.69	0.57	0.93	0.93	2.95	2.95
Banque Nationale De Paris, Saarbruecken	4.66	1.67	2.40	9.76	7.78	9.78
Banque Nationale De Paris, Spain	0.63	0.83	0.60	1.07	0.94	1.58
Banque Nationale De Paris, Switzerland	3.10	1.78	0.37	6.46	4.26	8.98
Banque Nationale De Paris, Saudi Arabia	3.56	0.61	0.19	4.13	0.61	1.13
Banque Nationale De Paris, Taipei	2.25	2.13	2.45	2.88	2.64	2.64
Citibank NA, Bangkok	11.11	7.28	14.19	16.95	12.43	15.64
Citibank NA, Brazil	2.01	—	—	3.48	—	—
Citibank NA, Denmark	0.67	0.18	0.58	1.86	0.33	4.68
Citibank NA, Dubai	0.48	0.36	0.08	4.38	2.51	2.51
Citibank NA, Hong Kong	0.52	1.23	1.56	1.59	1.23	1.56
Citibank NA, Hungary	0.39	0.23	0.18	0.78	0.50	0.55
Citibank NA, Kuala Lumpur	1.23	2.05	0.80	2.57	8.44	8.44
Citibank NA, London	0.67	0.99	2.25	3.06	2.09	2.27
Citibank NA, New York	4.96	3.10	8.88	29.04	20.00	33.03
Citibank NA, New Zealand	1.53	1.48	1.37	2.67	2.23	2.94
Citibank NA, Seoul	10.74	8.14	10.39	12.57	8.89	10.70
Citibank NA, Singapore	3.46	3.08	3.81	12.46	7.73	8.64
Citibank NA, Johannesburg	6.64	2.97	2.21	9.60	3.32	3.36
Citibank NA, Sydney	22.05	14.03	18.66	66.72	25.61	25.61
Citibank International Plc, Stockholm	0.71	0.31	0.45	1.25	0.32	0.60
Citibank NA, Toronto	3.76	3.52	2.47	11.11	6.98	9.23
New York, Citibank	0.39	—	—	0.49	—	—
Dresdner Bank, Saarbruecken	2.16	0.82	2.82	6.94	14.73	14.73
Hong Kong and Shanghai Banking Corporation, London	17.29	28.99	21.08	34.48	50.53	50.53
Hong Kong and Shanghai Banking Corporation, Shanghai	0.02	0.02	0.02	0.02	0.02	0.02
Hong Kong and Shanghai Banking Corporation, Tokyo	5.60	3.43	3.83	28.62	14.55	14.55
Hong Kong and Shanghai Banking Corporation, Mauritius	0.14	—	—	0.19	—	—
Koonmin Bank, Seoul	—	—	—	0.55	0.12	0.12
KSB Bank N V, Brussels	2.65	2.57	0.95	4.22	9.63	9.63
Mitsui Sumitomo Bank, Tokyo	2.16	0.81	0.58	2.76	2.18	2.18
UBS Bank, Switzerland	0.40	1.08	7.67	8.81	7.70	8.97
Unicredit Banca, Italy	0.29	1.05	0.57	0.88	3.95	3.95
United Bank, Vienna	38.40	33.74	39.55	66.70	48.36	58.18
Wachovia Bank, New Jersey	0.75	2.75	10.94	17.87	73.82	73.82
Woori Bank, Korea	—	—	—	0.16	0.26	0.26
	163.61	**138.96**	**171.61**			
On Deposit Accounts						
Citibank NA, Hungary	**0.81**	**0.77**	**0.84**	0.81	0.77	0.84

(g) Related Party Transactions

The Company had transactions with the following related parties:

Subsidiaries: Citisoft Plc, Citisoft Inc (Subsidiary of Citisoft Plc)., Knowledge Dynamics Pte Ltd, Knowledge Dynamics Private Limited, Knowledge Dynamics USA Inc., Info On Demand SDN BHD (Subsidiaries of

Knowledge Dynamics Pte Ltd), Nipuna Services Limited, Satyam Computer Services (Shanghai) Co. Ltd, Satyam Technologies Inc. and Satyam Computer Services (Nanjing) Co., Ltd.

Joint Ventures (JVs): Satyam Venture Engineering Services Private Limited and CA Satyam ASP Private Limited.

Others: Satyam Foundation Trust (Enterprises where spouses of certain Whole-time Directors and Key Management Personnel are trustees) and Satyam Associate Trust (Enterprises where some of the Key Management Personnel are trustees)

Directors and Key Management Personnel: B.Ramalinga Raju, B.Rama Raju, Ram Mynampati (Whole-time Directors), Prof. Krishna G Palepu (Director), D. Subramaniam, V. Srinivas, G. Jayaraman, Shailesh Shah, Vijay Prasad Boddupalli , Manish Sukhlal Mehta, Dr. Keshab Panda, Virender Aggarwal, T R Anand,, Hetzel Wayne Folden*, Joseph J Lagioia*, Sreenidhi Sharma* and T.S.K Murthy*

* Included during the quarter ended September 30, 2007.

Summary of the transactions and balances with the above related parties are as follows**:**

Transactions:

Rs. in crores

	Quarter ended September 30, 2007	Quarter ended September 30, 2006	Half year ended September 30, 2007	Half year ended September 30, 2006	Year ended March 31, 2007
Sales:					
Subsidiaries	2.02	2.46	2.68	3.78	6.24
Outsourcing Services:					
Subsidiaries	17.19	14.17	36.94	24.70	55.61
JVs	9.67	11.05	19.09	21.37	40.01
	26.86	25.22	56.03	46.07	95.62
Other Services:					
Subsidiaries	0.29	0.83	1.18	1.16	2.19
JVs	0.51	0.36	0.87	0.87	2.05
	0.80	1.19	2.05	2.03	4.24
Interest Income:					
JVs	—	0.01	—	0.02	0.02
Purchase of Fixed Assets :					
Subsidiaries	—	—	—	0.02	0.02
JVs	—	0.89	—	0.89	0.89
	—	0.89	—	0.91	0.91
Investments in:					
Subsidiaries	60.06	1.38	63.34	2.07	9.83
Advances to:					
Subsidiaries	8.00	10.38	10.96	22.41	57.36
Others	—	—	—	—	5.00
	8.00	10.38	10.96	22.41	62.36
Contributions to:					
Others	0.99	0.77	1.97	1.64	3.48

Balances :

Rs. in crores

	As at September 30, 2007	As at September 30, 2006	As at March 31, 2007
Accounts Receivable:			
Subsidiaries	6.95*	6.04*	4.15*
JVs	0.53	0.16	0.23
	7.48	6.20	4.38
Payables:			
Subsidiaries	26.44	18.48	31.53
JVs	13.87	13.18	11.48
	40.31	31.66	43.01
Investments:			
Subsidiaries	411.45*	182.68*	190.44*

Balances :

	As at September 30, 2007	As at September 30, 2006	As at March 31, 2007 (Rs. in crores)
JVs	10.71	10.71	10.71
	422.16	193.39	201.15
Advances and share application money:			
Subsidiaries	45.71*	18.08*	44.96*
Others	5.72	0.72	5.72
	51.43	18.80	50.68

* Net of provisions made

Transactions with Directors and Key Management Personnel

Rs. in crores

	Quarter ended September 30, 2007	Quarter ended September 30, 2006	Half year ended September 30, 2007	Half year ended September 30, 2006	Year ended March 31, 2007
Remuneration to Whole-time Directors	0.63	0.16	1.21	0.31	2.27
Remuneration to Key Managerial Personnel	5.13	4.11	8.85	7.97	19.47
Professional charges to a Director	0.20	—	0.40	—	0.87
Advances to Key Managerial Personnel	—	1.28	—	1.28	1.28

Balances due to / from Directors and Key Management Personnel

	As at September 30, 2007	As at September 30, 2006	As at March 31, 2007 (Rs. in crores)
Remuneration Payable to Whole-time Directors	0.32	—	0.45
Remuneration Payable to Key Management Personnel	1.22	0.23	0.80
Advances due from Key Management Personnel	—	0.33	0.09
Professional charges payable to a Director	0.40	—	0.87

Options granted and outstanding to the Key Management Personnel 1,223,509 {includes 25,925 options granted under ASOP — ADS and 48,000 options granted under ASOP — RSUs (ADS)} (September 30, 2006 — 3,164,932 {includes 190,692 options granted under ASOP — ADS}, March 31, 2007 — 1,970,426 {includes 139,554 options granted under ASOP — ADS and 61,500 options granted under ASOP — RSUs (ADS)}).

Options granted and outstanding to a Whole-time Director 537,860 {includes 512,860 options granted under ASOP — ADS and 25,000 options granted under ASOP — RSUs (ADS)}; (September 30, 2006 — 512,860, options granted under ASOP-ADS); March 31, 2007-537,860 {includes 512,860 options granted under ASOP — ADS and 25,000 options granted under ASOP — RSUs (ADS)}).

Options granted and outstanding to Non-executive Directors of the Company and its subsidiary 62,500 {includes 17,500 options granted under ASOP — RSUs (ADS)} (September 30, 2006 — Nil, March 31, 2007 — Nil).

(h) Obligation on long term non—cancelable operating leases

The Company has entered into operating lease agreements for its development centers at offshore, onsite and offsites ranging for a period of 3 to 10 years. The lease rentals charged during the period / year and maximum obligations on long—term non—cancelable operating leases payable as per the rentals stated in respective agreements are as follows:

	Quarter ended September 30, 2007	Quarter ended September 30, 2006	Half year ended September 30, 2007	Half year ended September 30, 2006	Year ended March 31, 2007 (Rs. in crores)
Lease rentals (Refer Schedule 14)	28.94	22.69	53.52	41.56	88.07

	As at September 30, 2007	As at September 30, 2006	As at March 31, 2007
Obligations on non-cancelable leases:			
Not later than one year	20.21	21.47	18.62

	As at September 30, 2007	2006	As at March 31, 2007
Later than one year and not later than five years	16.20	20.87	14.87
Later than five years	1.05	1.73	1.43
Total	**37.46**	**44.07**	**34.92**

(i) Earnings per Share

At the annual general meeting held on August 21, 2006, the shareholders approved a 1:1 bonus issue for all shareholders including the ADS holders i.e. one additional equity share for every one existing share held by the members by utilizing a part of the general reserves. The record date for the bonus issue was October 10, 2006 and shares were allotted on October 11, 2006. All basic and diluted shares used in determining earnings per share are after considering the effect of bonus issue.

Calculation of EPS (Basic and Diluted):

S.No.	Particulars	Quarter ended September 30, 2007	2006	Half year ended September 30, 2007	2006	Year ended March 31, 2007
Basic						
1.	Opening no. of shares	667,670,523	652,620,082	667,196,009	648,899,078	648,899,078
2.	Total Shares outstanding	668,193,383	653,538,584	667,797,808	652,502,120	654,853,959
3.	Profit after Taxation (Rs. in crores)	417.15	322.34	806.29	682.43	1,423.23
4.	EPS (Rs.)	6.24	4.93	12.07	10.46	21.73
Diluted						
5.	Stock options outstanding	16,616,424	20,324,358	16,588,409	20,324,358	14,851,466
6.	Total shares outstanding (including dilution)	684,809,807	673,862,942	684,386,217	672,826,478	669,705,425
7.	EPS (Rs.)	6.09	4.78	11.78	10.14	21.25

(j) Commitments and Contingencies

i) Bank Guarantees outstanding Rs. 106.19 crores (September 30, 2006 — Rs. 72.84 crores, March 31, 2007 — Rs. 98.56 crores).

ii) Contracts pending execution on capital accounts, net of advances, Rs. 294.20 crores (September 30, 2006 — Rs. 171.76 crores, March 31, 2007 — Rs. 158.07 crores).

iii) Forward & Option Contracts outstanding Rs. 3,125.55 crores (Equivalent US$783.22 millions) {September 30, 2006 — Rs. 727.10 crores (Equivalent US$158.00 millions), March 31, 2007 — Rs. 1,978.98 crores (Equivalent US$452.63 millions)}.Gain/(Loss) on foreign exchange forward and options contracts which are included under the head Gain/(Loss) on exchange fluctuation in the profit and loss account amounted to Rs.46.61 crores and Rs 136.50 crores for the quarter and half year ended September 30,2007 respectively {quarter ended September 30, 2006 Rs. 7.22 crores and half year ended September 30,2007 Rs. (14.78) crores, year ended March 31, 2007 — Rs. 26.64 crores}. There are no unhedged forex exposure

iv) Claims against the Company not acknowledged as debts

- Income tax and Sales tax matters under dispute — Rs. 20.87 crores (September 30, 2006 — Rs. 20.38 crores, March 31, 2007 — Rs. 22.03 crores).

v) Contingent consideration payable in respect of acquired subsidiary companies Rs. 1.98 crores (September 30, 2006 — Rs. 76.19 crores, March 31, 2007 — Rs. 75.56 crores).

vi) The Company has given a corporate guarantee on behalf of a subsidiary for the loan obtained amounting to a maximum of Rs. 79.64 crores (September 30, 2006 — Rs. 91.88 crores, March 31, 2007 — Rs. 87.18 crores) (Equivalent US$20 million).

vii) The Company had filed a request for arbitration with the London Court of International Arbitration ("LCIA") naming Venture Global Engineering LLC, USA ("VGE") as respondent. The Arbitration concerned a dispute between the Company and VGE in connection with their joint venture Satyam Venture Engineering Services Private Limited ("SVES").

The LCIA Arbitrator issued its Final Award on April 3, 2006 in favour of the Company. The Company has filed a petition to recognize and enforce the Award in the United States District Court in Michigan.

VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois. The Management believes that this will not have any adverse effect upon the Company's results of operations, financial condition and cash flows.

(k) The Gratuity Plan

The following table sets forth the status of the Gratuity Plan of the Company, and the amounts recognized in the balance sheet and profit and loss account.

Rs. in crores

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2007	2006	2007	2006	2007
Projected benefit obligation at the beginning of the period/year	49.15	35.68	47.34	35.08	35.08
Current service cost	2.18	2.23	4.37	4.31	8.77
Interest cost	0.85	0.56	1.72	1.19	2.30
Actuarial loss/(gain)	11.84	6.02	11.77	5.44	6.44
Benefits paid	(1.89)	(0.94)	(3.07)	(2.47)	(5.25)
Projected benefit obligation at the end of the period/year	**62.13**	**43.55**	**62.13**	**43.55**	**47.34**
Amounts recognised in the balance sheet					
Projected benefit obligation at the end of the period/year	62.13	43.55	62.13	43.55	47.34
Fair value of plan assets at end of the period/year	—	—	—	—	—
Funded status of the plans — (asset)/ liability	62.13	43.55	62.13	43.55	47.34
Liability recognised in the balance sheet	62.13	43.55	62.13	43.55	47.34
Gratuity cost for the period/year					
Current service cost	2.18	2.23	4.37	4.31	8.77
Interest cost	0.85	0.56	1.72	1.19	2.30
Net actuarial (gain)/loss recognised in the period/year	11.84	6.02	11.77	5.44	6.43
Net gratuity cost	14.87	8.81	17.86	10.94	17.50
Assumptions					
Discount rate	7.65%	7.40%	7.65%	7.40%	8.00%
Long—term rate of compensation increase	7.00%	7.00%	7.00%	7.00%	7.00%

(l) Provision for Leave encashment

Effective April 1, 2006, the Company has adopted the revised accounting standard (AS- 15) Employee Benefits. Pursuant to the adoption, the transitional obligations of the Company towards leave encashment amounted to Rs. 26.33 crores. As required by the standard, an amount of Rs. 17.47 crores (net of related deferred tax of Rs. 8.86 crores) has been adjusted against opening balance of general reserve as at April 01, 2006.

(m) Subsequent event

On October 23, 2007, Satyam Computer Services announced its intention to acquire 100% of the shares of NITOR Global Solutions Ltd, United Kingdom ("Nitor"), a Company specialized in the Infrastructure Management Services (IMS) space. The total consideration for this acquisition is approximately Rs. 22.29 crores (Equivalent GBP 2.76 million) including a performance-based payment of up to Rs. 10.48 crores (Equivalent GBP 1.3 million) over two years conditional upon specified revenue and profit targets being met. The initial consideration of Rs. 11.81 crores (Equivalent GBP 1.46 million) is payable by January 03, 2008 out of which Rs. 2.13 crores (Equivalent GBP 0.26 million) is payable by October 31, 2007.

(n) Other Information

i) The Company is engaged in the development of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI of the Companies Act, 1956

ii) Auditors' Remuneration

	Quarter ended September 30, 2007	2006	Half year ended September 30, 2007	2006	Rs. in crores Year ended March 31, 2007
Statutory audit	0.75	0.25	1.35	0.50	2.40
Tax audit	0.09	0.09	0.09	0.09	0.08
Other services	0.01	0.01	0.02	0.03	1.18
Reimbursement of out of pocket expenses	0.01	—	0.05	—	0.01

iii) Earnings in foreign exchange (on receipt basis)

	Quarter ended September 30, 2007	2006	Half year ended September 30, 2007	2006	Rs. in crores Year ended March 31, 2007
Income from software development services	1,581.80	1,067.69	3,036.33	2,206.20	4,728.55

iv) C.I.F. value of imports

	Quarter ended September 30, 2007	2006	Half year ended September 30, 2007	2006	Rs. in crores Year ended March 31, 2007
Capital goods	21.36	30.96	42.05	39.99	90.80

v) Expenditure in foreign currency (on payment basis)

	Quarter ended September 30, 2007	2006	Half year ended September 30, 2007	2006	Rs. in crores Year ended March 31, 2007
Travelling expenses	38.21	31.60	72.97	58.55	124.19
Expenditure incurred at overseas branches	1,167.98	638.26	2,265.39	1,245.72	2,910.64
Others	19.32	15.48	42.02	30.82	60.29

(o) The financial statements are represented in Rs. crores. Those items which were not represented in the financial statements due to rounding off to the nearest Rs. crores are given below:

Schedule No.	Description	As at September 30, 2007	2006	Rs.in lakhs As at March 31, 2007
5 (ii)	National Saving Certificates, VIII Series (Lodged as security with government authorities)	0.06	0.06	0.06

(p) Dividends remitted in foreign currency

The Company does not make any direct remittances of dividends in foreign currency. The Company remits equivalent of the dividend payable to the holders of ADS in Indian Rupees to the depository bank, which is the registered shareholder on records for all owners of the Company's ADS. The depository bank purchases the foreign currencies and remits dividend to the ADS holders. The Company remitted Rs. 32.57 crores during the half year ended September 30,2007 (half year ended September 30, 2006- Rs. 32.39 crores, year ended March 31, 2007 — Rs. 45.35 crores)

(q) Reclassification

Figures for the corresponding periods and previous year have been regrouped, recast and rearranged to conform to those of the current period wherever necessary.

Satyam Computer Services Limited

Cash Flow Statement

	For the Quarter Ended 30.09.2007	For the Quarter Ended 30.09.2006	For the Half Year Ended 30.09.2007	For the Half Year Ended 30.09.2006	For the Year Ended 31.03.2007
A. Cash Flows from Operating Activities					
Net Profit before Tax	431.38	323.65	829.20	691.42	1,423.46
Financial expenses	0.47	0.26	0.98	1.33	7.61
Depreciation / Amortisation	32.68	32.81	65.23	65.11	129.89
Loss on sale of Fixed Assets	0.52	0.24	0.88	0.40	0.79
Exchange differences on translation of foreign currency cash and cash equivalents	6.99	1.85	43.84	(43.28)	(9.23)
Operating profit before changes in Working Capital	**472.04**	**358.81**	**940.13**	**714.98**	**1,552.52**
(Increase)/Decrease in Sundry Debtors	(200.95)	(163.20)	(315.81)	(227.23)	(527.04)
(Increase)/Decrease in Loans and Advances	14.24	(8.62)	(15.71)	(26.57)	(78.51)
Increase/(Decrease) in Current Liabilities and Provisions	148.88	163.29	87.20	240.76	232.39
Cash generated from operations	**434.21**	**350.28**	**695.81**	**701.94**	**1,179.36**
Income Taxes Paid	(36.43)	(14.60)	(78.03)	(73.94)	(149.53)
Net Cash from Operating Activities	**397.78**	**335.68**	**617.78**	**628.00**	**1,029.83**
B. Cash Flows used in Investing Activities					
Purchase of Fixed Assets	(82.99)	(105.65)	171.58)	(169.86)	(345.82)
Purchase of Long term Investments	(228.46)	(9.49)	(249.12)	(28.26)	(32.76)
Proceeds from sale of Fixed Assets	0.23	0.40	0.41	0.74	1.36
Proceeds from maturity of Long Term Deposits	—	—	—	—	1,795.50
Investment in Long Term Deposits	—	—	—	—	(3,308.41)
Interest income received	15.51	6.94	31.21	14.55	211.55
Net Cash used in Investing Activities	**(295.71)**	**(107.80)**	**(389.08)**	**(182.83)**	**(1,678.58)**

C. Cash Flows from Financing Activities

	For the Quarter Ended 30.09.2007	For the Quarter Ended 30.09.2006	For the Half Year Ended 30.09.2007	For the Half Year Ended 30.09.2006	For the Year Ended 31.03.2007
Proceeds from issue of share capital including application money pending allotment	13.61	31.54	18.10	88.10	301.59
Proceeds from Secured Loans	6.95	2.72	13.34	5.17	10.24
Repayment of Secured Loans	(2.52)	(2.01)	(4.79)	(4.36)	(9.01)
Financial expenses paid	(0.47)	(0.26)	(0.98)	(1.33)	(7.61)
Payment of Dividend	(195.48)	(186.29)	(195.48)	(186.29)	(261.11)
Net Cash used/from Financing Activities	**(177.91)**	**(154.30)**	**(169.81)**	**(98.71)**	**34.10**
D. Exchange differences on translation of foreign currency cash and cash equivalents	**(6.99)**	**(1.85)**	**(43.84)**	**43.28**	**9.23**
Net (Decrease)/Increase in Cash and Cash equivalents during the period/year	(82.83)	71.73	15.05	389.74	(605.42)
Cash and Cash equivalents at the beginning of the period/year	749.29	1,574.84	651.41	1,256.83	1,256.83
Cash and Cash equivalents at the end of the period/year	**666.46**	**1,646.57**	**666.46**	**1,646.57**	**651.41**
Supplementary Information	—	—	—	—	0.00
Cash and Bank Balances	3,974.87	3,442.07	3,974.87	3,442.07	3,959.82
Less: Investment in Long Term Deposits with Scheduled Banks	3,308.41	1,795.50	3,308.41	1,795.50	3,308.41
Balance considered for Cash Flow Statement	**666.46**	**1,646.57**	**666.46**	**1,646.57**	**651.41**
The balance of Cash and Cash equivalents include amounts set aside for payment of dividends	18.86	10.93	18.86	10.93	6.33

Figures for the corresponding period /year have been regrouped, recast and rearranged to conform to those of the current period wherever necessary.

This is the Cash Flow Statement referred

for and on behalf of the Board of Directors to in our report of even date.

Srinivas Talluri Partner for and on behalf of **Price Waterhouse** Chartered Accountants	**B. Ramalinga Raju** Chairman	**B. Rama Raju** Managing Director
	V. Srinivas Director & Sr. Vice President — Finance	**G. Jayaraman** Sr. Vice President (Corp. Governance) & Company Secretary
Place : Secunderabad Date : October 23, 2007		Place : Secunderabad Date : October 23, 2007

Satyam Computer Services Limited

Description of Business

Satyam Computer Services Limited and its consolidated subsidiaries, Joint Ventures and Associates (hereinafter referred to as "*Satyam*") are engaged in providing information technology services, developing software products and business process outsourcing.

Satyam Computer Services Limited (hereinafter referred to as "*Satyam Computer Services*") is an information technology ("IT") services provider that uses a global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. Satyam Computer Services was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. The range of services offered by it, either on a "time and material" basis or "fixed price", includes consulting, systems design, software development, system integration and application maintenance. Satyam Computer Services offers a comprehensive range of IT services, including software development, packaged software integration, system maintenance and engineering design services. Satyam Computer Services has a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Nipuna Services Limited ("Nipuna") a majority owned subsidiary of Satyam Computer Services is engaged in providing Business Process Outsourcing services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

Statement on Significant Accounting Policies

a) Basis of Consolidation

The Consolidated Financial Statements include the accounts of Satyam Computer Services and its subsidiary companies. Subsidiary companies are those in which Satyam Computer Services, directly or indirectly, have an interest of more than one half of the voting power or otherwise have power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal.

All inter company transactions, balances and unrealized surpluses and deficits on transactions between Group companies are eliminated. Consistency in adoption of accounting polices among all group companies is ensured to the extent practicable. Separate disclosure is made of minority interest.

Investments in Business entities over which the company exercises joint control are accounted for using the proportionate consolidation except where the control is considered to be temporary. Investment in associates are accounted for using the equity method.

On occasion, a subsidiary or associated company accounted for by the equity method ("offering company") may issue its shares to third parties as either a public offering or private placement at per share amounts in excess of or less than Satyam's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the dilution of interest are recorded as Capital Reserve/Goodwill. Gain or losses arising on the direct sales by Satyam of its investment in its subsidiaries or associated companies to third parties are transferred to Profit and Loss Account. Such gains or losses are the difference between the sale proceeds and net carrying value of investments.

Minority Interest in subsidiaries represents the minority shareholders proportionate share of net assets and the net income of Satyam's majority owned subsidiaries.

b) Use of Estimates

The preparation of the financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period / year. Actual results could differ from those estimates.

c) Revenue Recognition

i) IT Services

Revenue from professional services consist primarily of revenue earned from services performed on a "time and material" basis. The related revenue is recognized as and when the services are performed. Satyam Computer Services also performs time bound fixed-price engagements, under which revenue is recognized using the percentage of completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period / year in which the change becomes known. Provisions for estimated losses on such engagements are made during the period / year in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as advance from customers/unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

Unearned revenue is calculated on the basis of the unutilized period of time at the Balance Sheet and represents revenue which is expected to be earned in future periods in respect of internet, e-mail services, electronic data interchange and web hosting services.

ii) Business Process Outsourcing

Revenue from per engagement services is recognized based on the number of engagements performed. Revenues from per time period services are recognized based on the time incurred in providing services at contracted rates. Revenue from per incident services is based on the performance of specific criteria at contracted rates.

d) Foreign Currency Transactions/Translations

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account.

Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

The operations of foreign branches of the company are of integral in nature and the financial statements of these branches are translated using the same principles and procedures as those of head office.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains/losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period / year.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period / year), is recognized in the profit and loss account for the period / year.

Foreign subsidiaries are non-integral in nature. Assets and Liabilities of such subsidiaries are translated at the period / year end exchange rate, income and expenditure are translated at the average rate during the period. The resultant translation adjustment is reflected as a separate component of shareholders' funds as a 'Currency Translation Reserve'.

e) Fixed Assets

Fixed assets are stated at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

Depreciation on fixed assets is computed on the straight line method over their estimated useful lives at the rates which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs. 5,000 are entirely depreciated in the period / year of acquisition.

The cost of and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Costs of application software for internal use are generally charged to revenue as incurred due to its estimated useful lives being relatively short, usually less than one year.

The estimated useful lives are as follows:

Buildings	28 years
Computers	2 years
Plant and Machinery (Other than Computers)	5 years
Software — used in Development for Projects	3 years
Office Equipment	5 years
Furniture, Fixtures and Interiors	5 years
Vehicles	5 years

Depreciation on assets acquired under a finance lease is provided using the straight-line method over the shorter of the lease term or the useful life of the asset.

Capital work in Progress:

Assets under installation or under construction as at the Balance sheet date are shown as capital work in progress. Advances paid towards acquisition of assets are also included under capital work in progress.

f) Goodwill and Other Intangible Assets

Goodwill represents the difference between the purchase price and the book value of assets and liabilities acquired. Goodwill is amortized over the useful life of the asset. The goodwill is reviewed for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. If impairment is indicated, the asset is written down to its fair value.

g) Investments

Investments are classified into current investments and long-term investments. Current investments are carried at the lower of cost and market value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the profit and loss account. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of hardware and software purchased for the purpose of resale is determined using the first-in-first-out method.

i) Employee Benefits

Contributions to defined schemes such as Provident Fund, Employee State Insurance Scheme and Superannuation are charged as incurred on accrual basis. Satyam Computer Services also provides for gratuity and leave encashment in accordance with the requirements of revised Accounting Standard — 15 “Employee Benefits” based on actuarial valuation carried out as at the balance sheet date.

j) Taxes on Income

Tax expense for a year comprises of current tax and deferred tax. Current taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the period / year of change. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

k) Earnings per Share

The earnings considered in ascertaining Satyam's Earnings Per Share (EPS) comprises the net profit after tax (and includes the post tax effect of any extra ordinary items). The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period / year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving Basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as at the beginning of the period / year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). The number of shares and potentially dilutive shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

l) Associate Stock Option Scheme

Stock options granted to the employees under the stock option schemes established after June 19, 1999 are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on graded vesting basis over the vesting period of the options. The employee stock option outstanding is shown under Reserves and Surplus.

m) Research and Development

Revenue expenditure incurred on research and development is charged to revenue in the period / year in which it is incurred. Assets used for research and development activities are included in fixed assets.

n) Miscellaneous Expenditure

Miscellaneous expenditure is charged to profit and loss account in the period / year in which it is incurred irrespective of its enduring benefit available in future.

Satyam Computer Services Limited
Consolidated Balance Sheet

Rs. in crores

	Schedule Reference	As at 30.09.2007 (Unaudited)	As at 30.09.2006 (Unaudited)	As at 31.03.2007 (Audited)
I. Sources of Funds :				
1. Shareholders' Funds				
(a) Share Capital	1	133.71	221.94	178.94
(b) Share application money, pending allotment		4.39	1.86	7.85
(c) Reserves and Surplus	2	6,334.97	4,764.70	5,565.81
		6,473.07	**4,988.50**	**5,752.60**
2. Loan Funds				
Secured Loans	3	191.20	129.18	147.88
		6,664.27	**5,117.68**	**5,900.48**
II. Application of Funds :				
1. Fixed Assets	4			
(a) Gross Block		1,794.87	1,433.29	1,505.44
(b) Less: Depreciation / Amortisation		1,057.62	911.98	984.79
(c) Net Block		737.25	521.31	520.65
(d) Capital Work in Progress		346.86	184.51	301.69
		1,084.11	**705.82**	**822.34**
2. Investments	5	—	—	—
3. Deferred Tax Assets (net)	6	62.03	40.82	43.67
4. Current Assets, Loans and Advances				
(a) Inventories	7	0.02	0.18	0.02
(b) Sundry Debtors	8	2,073.89	1,425.96	1,743.17
(c) Cash and Bank Balances	9	4,005.23	3,483.78	3,991.42
(d) Loans and Advances	10	285.93	205.75	229.61
(e) Other Current Assets - Interest Accrued on Fixed Deposits		168.87	153.58	64.91
		6,533.94	5,269.25	6,029.13
Less: Current Liabilities and Provisions				
(a) Liabilities	11	620.54	608.78	574.53
(b) Provisions	12	395.27	289.43	420.13
		1,015.81	898.21	994.66
Net Current Assets		**5,518.13**	**4,371.04**	**5,034.47**
		6,664.27	**5,117.68**	**5,900.48**
Notes on Accounts	18			

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Consolidated Balance Sheet.

for and on behalf of the Board of Directors

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director &
Sr. Vice President-Finance

G. Jayaraman
Sr. Vice President (Corp. Governance) & Company Secretary

Place : Secunderabad
Date : October 23, 2007

Satyam Computer Services Limited
Consolidated Profit and Loss Account

	Schedule Reference	For the Quarter ended 30.09.2007 (Unaudited)	For the Quarter ended 30.09.2006 (Unaudited)	For the Half year ended 30.09.2007 (Unaudited)	For the Half year ended 30.09.2006 (Unaudited)	Rs. in crores For the Year ended 31.03.2007 (Audited)
Income						
Services						
— Exports		1,965.19	1,525.25	3,742.13	2,901.91	6,188.12
— Domestic		66.53	76.63	119.78	142.90	296.96
Other Income	13	110.54	28.23	173.74	102.71	183.28
		2,142.26	**1,630.11**	**4,035.65**	**3,147.52**	**6,668.36**
Expenditure						
Personnel Expenses	14	1,302.75	982.71	2,408.93	1,814.32	3,857.93
Cost of Software and Hardware sold	15	0.68	0.35	0.93	1.03	2.27
Operating and Administration Expenses	16	325.59	256.33	639.06	511.96	1,087.17
Financial Expenses	17	4.18	2.72	7.50	5.27	15.92
Depreciation / Amortisation		39.06	37.51	77.75	73.68	148.44
		1,672.26	**1,279.62**	**3,134.17**	**2,406.26**	**5,111.73**
Profit Before Taxation		**470.00**	**350.49**	**901.48**	**741.26**	**1,556.63**
Provision for Taxation — Current		77.48	43.23	124.91	89.07	169.38
— Fringe Benefit		4.05	2.92	7.47	5.77	12.89
— Deferred		(20.62)	(15.47)	(18.31)	(27.39)	(30.26)
Profit After Taxation and Before Minority Interest		**409.09**	**319.81**	**787.41**	**673.81**	**1,404.62**
Minority Interest		—	—	—	0.12	0.12
Profit After Taxation and Minority Interest		**409.09**	**319.81**	**787.41**	**673.93**	**1,404.74**
Add: Balance brought forward		3,379.82	2,362.60	3,001.50	2,008.48	2,008.48
Less: Residual dividend and additional dividend tax		0.33	(0.56)	0.33	(0.56)	(0.56)

Rs. in crores

	Schedule Reference	For the Quarter ended 30.09.2007 (Unaudited)	For the Quarter ended 30.09.2006 (Unaudited)	For the Half year ended 30.09.2007 (Unaudited)	For the Half year ended 30.09.2006 (Unaudited)	For the Year ended 31.03.2007 (Audited)
Profit Available for Appropriation		**3,788.58**	**2,682.97**	**3,788.58**	**2,682.97**	**3,413.78**
Appropriations :						
Interim Dividend @ Re. 1.00 per Equity Share of Rs. 2.00 each (2007 - Rs. 1.00 per Equity Share)		66.88	65.61	66.88	65.61	65.61
Final Dividend (2007 - Rs. 2.50 per Equity Share)		—	—	—	—	166.80
Tax on dividends		11.37	9.20	11.37	9.20	37.55
Transfer to General Reserve		—	—	—	—	142.32
Balance carried to Balance Sheet		**3,710.33**	**2,608.16**	**3,710.33**	**2,608.16**	**3,001.50**
Earnings Per Share (Rs. per equity share of Rs. 2 each)						
Basic		6.12	4.89	11.79	10.33	21.45
Diluted		5.97	4.75	11.51	10.02	20.98
No. of Shares used in computing Earnings Per Share						
Basic		668,193,383	653,538,584	667,797,808	652,502,120	654,853,959
Diluted		684,809,807	673,862,942	684,386,217	672,826,478	669,705,425
Notes on Accounts	18					

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Consolidated Profit and Loss Account.

for and on behalf of the Board of Directors

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director
& Sr. Vice President - Finance

G. Jayaraman
Sr. Vice President (Corp. Governance)
& Company Secretary

Place : Secunderabad
Date : October 23, 2007

Satyam Computer Services Limited
Schedules annexed to and forming part of the Consolidated Balance Sheet

			Rs. in crores
	As at 30.09.2007 (Unaudited)	**As at 30.09.2006 (Unaudited)**	**As at 31.03.2007 (Audited)**
1. Share Capital			
Authorised :			
800,000,000 Equity Shares of Rs. 2 each	160.00	160.00	160.00
100,000,000 0.05% Convertible Redeemable Cumulative Preference Shares of Rs. 10 each	100.00	100.00	100.00
Issued and Subscribed :			
668,549,777 (September 30, 2006 - 654,634,308; March 31, 2007 - 667,196,009) Equity Shares of Rs.2 each fully paid-up	133.71	130.93	133.44
Nil (September 30, 2006 - 91,009,999; March 31, 2007 - 45,504,999) 0.05% Convertible Redeemable Cumulative Preference Shares of Rs. 10 each fully paid-up (Refer note (d) of Schedule 18)	—	91.01	45.50
	133.71	**221.94**	**178.94**

Out of the above:

4,000,000 Equity Shares of Rs. 2 each were allotted as fully paid-up for a consideration other than cash pursuant to the Scheme of Amalgamation with Satyam Enterprise Solutions Limited

468,289,738 (September 30, 2006 - 467,912,154; March 31, 2007 - 468,289,738) Equity Shares of Rs. 2 each were allotted as fully paid-up by way of Bonus Shares by capitalising free reserves of Satyam Computer Services

130,314,742 (September 30, 2006 - 129,600,640; March 31, 2007 - 130,209,472) Equity Shares of Rs. 2 each fully paid-up represent 65,157,371 (September 30, 2006 - 64,800,320; March 31, 2007 - 65,104,736) American Depository Shares

Rs. in crores

	As at 30.09.2007 (Unaudited)	As at 30.09.2006 (Unaudited)	As at 31.03.2007 (Audited)
39,469,777 (September 30, 2006 - 25,554,308; March 31, 2007 - 38,116,009) Equity Shares of Rs. 2 each fully paid-up were alloted to associates of Satyam Computer Services pursuant to the Associate Stock Option Plan - B (ASOP-B) and Associate Stock Option Plan (ADS) (ASOP-ADS)			
2. Reserves and Surplus			
Share Premium Account			
As at April 1	1,321.18	1,028.63	1,028.63
Add: Received on account of issue of ASOP	21.30	87.48	292.55
Less: Utilised for premium on redemption of preference shares of subsidiary	10.87	—	—
	1,331.61	**1,116.11**	**1,321.18**
Capital Reserve			
As at April 1	765.65	720.14	720.14
Add: Gain on dilution of interest in subsidiary company on its conversion of preference shares to equity shares	2.30	—	45.51
	767.95	**720.14**	**765.65**
General Reserve			
As at April 1	466.46	407.15	407.15
Add : Transfer from the Profit and Loss Account	—	—	142.32
Less : Provision for leave encashment (Refer note (q) of Schedule 18)	0.16	18.05	17.47
Less: Utilised on issue of bonus shares (Refer note (m) of Schedule 18)	—	65.46	65.54
	466.30	**323.64**	**466.46**
Currency Translation Reserve	(3.85)	(3.65)	(5.45)
Employee Stock Options			
Employee Stock Options Outstanding	180.98	0.30	180.61
Less: Deferred Employee Compensation	118.35	—	164.14
	62.63	**0.30**	**16.47**
Balance in Profit and Loss Account	3,710.33	2,608.16	3,001.50
	6,334.97	**4,764.70**	**5,565.81**
3. Secured Loans			
Bank Overdraft	71.50	24.15	3.41
External Commercial Borrowing	41.53	48.03	45.55
Working Capital Loans	43.00	43.03	43.00
Export Packing Credit	11.97	—	41.76
Vehicle Loans	22.68	13.83	14.16
Interest accrued and due	0.52	0.14	—
	191.20	**129.18**	**147.88**

Satyam Computer Services Limited

Schedules annexed to and forming part of the Consolidated Balance Sheet

4. Fixed Assets

Rs. in crores

	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
DESCRIPTION	As at 01.04.2007	Additions	Deletions	As at 30.09.2007	As at 01.04.2007	For the period @	On Deletions	As at 30.09.2007	As at 30.09.2007 (Unaudited)	As at 31.03.2007 (Audited)
1. Goodwill	125.23	157.33	—	282.56	—	—	—	—	282.56	125.23
2. Land & Land Development										
-Freehold*	38.24	—	—	38.24	—	—	—	—	38.24	38.24
-Leasehold	8.13	0.64	—	8.77	0.03	—	—	0.03	8.74	8.10
3. Buildings**	101.76	15.46	—	117.22	16.84	2.03	—	18.87	98.35	84.92
4. Plant and Machinery (Including Computers and Software)	948.85	77.56	2.02	1,024.39	776.40	57.76	1.90	832.26	192.13	172.45
5. Office Equipment	34.62	4.89	0.35	39.16	21.21	3.06	0.25	24.02	15.14	13.41
6. Furniture, Fixtures and Interiors	209.46	27.49	—	236.95	153.43	10.43	0.03	163.83	73.12	56.03
7. Vehicles	39.15	12.25	3.82	47.58	16.88	4.18	2.45	18.61	28.97	22.27
Total	**1,505.44**	**295.62**	**6.19**	**1,794.87**	**984.79**	**77.46**	**4.63**	**1,057.62**	**737.25**	**520.65**
As at 30.09.2006	**1,317.21**	**119.49**	**3.41**	**1,433.29**	**840.21**	**73.97**	**2.20**	**911.98**	**521.31**	**—**

* Includes Rs. 12.24 crores (March 31, 2007 — 12.24 crores) in respect of which deed of conveyance is pending.

** Includes Rs. 38.85 crores (March 31, 2007 — 38.85 crores) constructed on leasehold land.

@ Depreciation for the quarter includes (Rs. 0.29 crores) considered in Currency Translation Reserve due to translation of non-integral foreign subsidiaries.

Satyam Computer Services Limited
Schedules annexed to and forming part of the Consolidated Balance Sheet

Rs. in crores

	As at 30.09.2007 (Unaudited)		As at 30.09.2006 (Unaudited)		As at 31.03.2007 (Audited)	
5. **Investments**						
Long Term						
i) Trade (Unquoted)						
Other Investments						
Jasdic Park Company (480 Shares of J Yen 50,000 each, fully paid-up)	0.75		0.75		0.75	
Less: Received on liquidation	0.26		0.26		0.26	
Less : Provision for diminution	0.49	—	0.49	—	0.49	—
Intouch Technologies Limited (833,333 Shares of 20 US cents each, fully paid-up)	10.90		10.90		10.90	
Less : Provision for diminution	10.90	—	10.90	—	10.90	—
Medbiquitious Services Inc., (334,000 shares of 'A' series Preferred Stock of US $0.001 each, fully paid-up)	1.57		1.57		1.57	
Less : Provision for diminution	1.57	—	1.57	—	1.57	—
Avante Global LLC., (577,917 class 'A' units representing a total value of US $540,750 fully paid-up)	2.54		2.54		2.54	
Less : Provision for diminution	2.54	—	2.54	—	2.54	—
ii) Non Trade (Unquoted)						
National Savings Certificates,VIII Series (Lodged as security with government authorities)		—		—		—
		—		—		—

Rs. in crores

	As at 30.09.2007 (Unaudited)	As at 30.09.2006 (Unaudited)	As at 31.03.2007 (Audited)
6. Deferred Tax Assets (net)			
Debtors — Provision for doubtful debts	11.80	11.01	11.83
Advances — Provision for doubtful advances	1.45	1.43	1.43
Fixed Assets — Depreciation	(20.70)	(24.91)	(24.13)
Others — Retirement Benefits etc.	69.48	53.29	54.54
	62.03	**40.82**	**43.67**
7. Inventories			
Traded software and hardware	0.02	0.18	0.02
8. Sundry Debtors (Unsecured)			
Considered good *			
(a) Over six months old	68.39	21.37	25.95
(b) Other debts	2,005.50	1,404.59	1,717.22
	2,073.89	**1,425.96**	**1,743.17**
Considered doubtful	107.38	89.60	98.53
	2,181.27	**1,515.56**	**1,841.70**
Less: Provision for doubtful debts	107.38	89.60	98.53
	2,073.89	**1,425.96**	**1,743.17**

* Debtors include Unbilled Revenue — Rs. 263.68 crores (September 30, 2006 - 237.03 crores; March 31, 2007 - 163.24 crores)

9. Cash and Bank Balances			
Cash on hand	0.15	0.09	0.08
Balances with Scheduled Banks			
- on Current accounts*	479.62	1,495.12	424.29
- on Deposit accounts	3,325.51	1,802.30	3,371.26
Unclaimed Dividend Accounts	18.86	10.93	6.33
Balances with Non-Scheduled Banks**			
- on Current Accounts	178.93	146.03	178.53
- on Deposit Accounts	2.16	29.31	10.93
	4,005.23	**3,483.78**	**3,991.42**

*Includes unutilised amount of ADS issue proceeds - Rs. Nil (September 30, 2006 - 62.87 crores; March 31, 2007 - Nil)

**Refer note (i) of schedule18

	As at 30.09.2007 (Unaudited)	As at 30.09.2006 (Unaudited)	Rs. in crores As at 31.03.2007 (Audited)
10. Loans and Advances			
(Considered good unless otherwise stated)			
Secured — Loans	0.02	0.09	0.04
Unsecured — Advances recoverable in cash or in kind or for value to be received	182.65	119.76	139.51
- Deposits	103.26	85.90	90.06
Considered doubtful — Advances	26.00	17.25	23.21
	311.93	**223.00**	**252.82**
Less: Provision for doubtful Advances	26.00	17.25	23.21
	285.93	**205.75**	**229.61**
11. Liabilities			
Sundry Creditors			
- Dues to small scale industrial undertakings	—	—	—
- Dues to other than small scale industrial undertakings	361.82	457.29	415.69
Advances from Customers	1.74	1.65	1.74
Unearned Revenue	141.25	76.63	87.52
Investor Education Protection Fund shall be credited by the following amounts -			
Unclaimed Dividends	18.86	10.93	6.33
Interest accrued but not due on loans	0.32	0.37	0.47
Other Liabilities	96.55	61.91	62.78
	620.54	**608.78**	**574.53**
12. Provisions			
Provision for Taxation (Less payments)	111.92	54.57	62.05
Proposed Dividend (Including tax thereon)	78.24	74.81	195.15
Provision for Gratuity and Leave Encashment	205.11	160.05	162.93
	395.27	**289.43**	**420.13**

Satyam Computer Services Limited
Schedules annexed to and forming part of the Consolidated Profit and Loss Account

Rs. in crores

	For the Quarter ended 30.09.2007 (Unaudited)	For the Quarter ended 30.09.2006 (Unaudited)	For the Half year ended 30.09.2007 (Unaudited)	For the Half year ended 30.09.2006 (Unaudited)	For the Year ended 31.03.2007 (Audited)
13. Other Income					
Interest on Deposits — Gross {Tax Deducted at Source Rs. 30.57 crores} (half year ended September 30, 2006 - 12.86 crores; year ended March 31, 2007 - 37.12 crores)	67.93	29.05	135.46	58.42	167.26
Gain/(Loss) on exchange fluctuations (net)	42.19	(1.33)	35.64	43.37	11.88
Miscellaneous Income	0.42	0.51	2.64	0.92	4.14
	110.54	**28.23**	**173.74**	**102.71**	**183.28**
14. Personnel Expenses					
Salaries and bonus	1,180.16	913.08	2,184.81	1,686.58	3,553.42
Contribution to Provident and other funds	93.64	65.94	166.48	118.84	267.44
Staff welfare expenses	6.45	3.86	11.48	9.08	21.08
Employee stock compensation expense	22.50	(0.17)	46.16	(0.18)	15.99
	1,302.75	**982.71**	**2,408.93**	**1,814.32**	**3,857.93**
15. Cost of software and hardware sold					
Opening inventory	0.04	0.18	0.02	0.19	0.19
Add: Purchases (net of returns)	0.66	0.35	0.93	1.02	2.10
Less: Closing inventory	0.02	0.18	0.02	0.18	0.02
	0.68	**0.35**	**0.93**	**1.03**	**2.27**

Rs. in crores

	For the Quarter ended 30.09.2007 (Unaudited)	For the Quarter ended 30.09.2006 (Unaudited)	For the Half year ended 30.09.2007 (Unaudited)	For the Half year ended 30.09.2006 (Unaudited)	For the Year ended 31.03.2007 (Audited)
16. Operating and Administration Expenses					
Rent	33.35	25.84	61.86	47.49	100.75
Rates and taxes	8.74	5.89	15.13	12.21	26.76
Insurance	4.18	4.22	8.21	8.27	17.33
Travelling and conveyance	117.62	94.67	224.50	176.21	397.89
Communication	21.96	21.28	44.60	39.95	78.70
Printing and stationery	3.74	3.87	5.07	5.40	9.62
Power and fuel	12.60	9.42	25.10	18.78	37.89
Advertisement	2.36	1.21	3.71	2.50	3.92
Marketing expenses	16.94	14.36	34.27	33.00	64.13
Repairs and maintenance					
- Buildings	1.04	0.74	1.85	1.38	2.76
- Machinery	6.15	4.19	11.09	8.27	18.85
- Others	8.07	6.38	14.70	11.98	29.84
Security services	1.93	1.23	3.52	2.21	4.97
Legal and professional charges	44.36	38.89	89.80	74.52	147.52
Provision for doubtful debts and advances	7.21	2.21	13.42	4.47	19.55
Loss on sale of Fixed assets (net)	0.53	0.24	0.89	0.46	0.88
Directors' sitting fees	0.02	0.01	0.03	0.02	0.04
Auditors' remuneration	0.99	0.51	1.77	0.87	4.21
Donations and contributions	2.39	0.87	3.43	1.74	3.63
Subscriptions	1.61	0.57	2.32	1.25	3.15
Training and development	14.12	5.35	24.31	9.30	24.91
Research and development	0.41	0.30	0.82	0.64	1.29
Software charges	4.83	2.06	8.72	10.81	21.89
Managerial Remuneration					
- Salaries	0.54	0.08	1.06	0.17	1.66
- Commission	0.14	0.15	1.19	0.30	0.95
- Contribution to Provident Fund	0.01	0.01	0.02	0.02	0.04
- Others	0.08	0.06	0.12	0.11	0.23
Visa charges	4.26	5.96	28.02	29.32	44.74
Miscellaneous expenses	5.41	5.76	9.53	10.31	19.07
	325.59	**256.33**	**639.06**	**511.96**	**1,087.17**
17. Financial Expenses					
Interest on Export packing credit	0.25	0.01	0.80	0.03	0.22
Interest on working capital loans	1.73	1.98	3.35	3.18	6.31
Interest on Overdraft	1.51	0.36	2.05	0.56	1.45
Other finance charges	0.69	0.37	1.30	1.50	7.94
	4.18	**2.72**	**7.50**	**5.27**	**15.92**

18. Notes on Accounts

a) List of domestic and foreign subsidiaries and joint ventures considered for consolidation:-

Sl. No.	Name of the Company	Country of Incorporation	Extent of holding (%) as at September 30, 2007
	Subsidiaries :		
1.	Nipuna Services Limited	India	95.14**
2.	Satyam Computer Services (Shanghai) Co. Ltd	China	100.00
3.	Satyam Computer Services (Nanjing) Co. Ltd	China	100.00
4.	Satyam Technologies, Inc.	USA	100.00
5.	Knowledge Dynamics Pte.Ltd. @	Singapore	100.00
6.	Citisoft Plc. *	UK	100.00
	Joint Ventures :		
7.	CA Satyam ASP Private Limited	India	50.00
8.	Satyam Venture Engineering Services Private Limited	India	50.00

@ Knowledge Dynamics has been consolidated with effective date of October 01, 2005, the date of acquisition.

* Citisoft Plc. has been consolidated with effective date of May 12, 2005, the date of acquisition.

** Refer note 18(d).

The reporting date for all the above companies is March 31 except as following:

- Satyam Computer Services (Shanghai) Co. Ltd. – December 31.
- Satyam Computer Services (Nanjing) Co. Ltd. – December 31.
- Satyam Technologies Inc. — December 31.

Sl. No.	Subsidiaries of Knowledge Dynamics Pte Ltd	Country of Incorporation	Extent of holding (%) as at September 30, 2007
1.	Info On Demand SDN BHD	Malaysia	100.00
2.	Knowledge Dynamics Private Limited	India	99.99
3.	Knowledge Dynamics USA Inc.	USA	98.00

Sl. No.	Subsidiaries of Citisoft Plc.	Country of Incorporation	Extent of holding (%) as at September 30, 2007
1.	Citisoft Inc.	USA	100.00

b) Associate Stock Option Schemes

1) Stock Option Scheme of Satyam Computer Services

i) Scheme established prior to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, (SEBI guidelines on Stock Options)

In May 1998, Satyam Computer Services established its Associate Stock Option Plan (the “ASOP”). Satyam Computer Services subsequently established an employee welfare trust called the Satyam Associates Trust (the “Trust”), to administer the ASOP and issued warrants to purchase 6,500,000 equity shares of Rs. 2 each in Satyam Computer Services. In turn, the Trust periodically grants to eligible employees warrants to purchase equity shares held by Trust for the issuance to the employees. The warrants may vest immediately or may vest over a period ranging from two to three years, depending on the employee’s length of service and performance. Upon vesting, employees have 30 days to exercise warrants. The exercise price of the warrants was fixed at Rs. 450 per warrant.

At the 12th Annual General Meeting held on May 28, 1999, shareholders approved a 1:1 Bonus issue to all shareholders as of August 31, 1999. In order to ensure all its employees receive the benefits of the bonus issue in December 1999, the Trust exercised all its warrants to purchase Satyam Computer Service’s shares prior to the bonus issue using the proceeds obtained from bank loans. Subsequent to this, each warrant entitles the holder to purchase 10 shares of Rs. 2 each of Satyam Computer Services at a price of Rs. 450 per warrant plus an interest component associated with the loan which the Trust assumed, for conversion of the warrants it held. The interest component is computed based on fixed vesting period and a fixed interest rate. As this scheme is established prior to the SEBI guidelines on the stock options, there is no cost relating to the grant of options under this scheme.

ii) Scheme established after SEBI Guidelines on Stock Options

Securities Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999, which is applicable for all Stock Option Schemes established after June 19, 1999.

Satyam Computer Services established a scheme “Associate Stock Option Plan – B” (ASOP — B) for which 83,454,280 equity shares of Rs. 2 each were earmarked. These warrants vest over a period of 2-4 years from the date of the grant. Upon vesting, associates have 5 years to exercise these shares.

Accordingly, options (net of cancellations) for a total number of 17,836,785 equity shares of Rs. 2 each were outstanding as at September 30, 2007 (September 30, 2006 — 33,568,564; March 31, 2007 – 19,976,210).

Changes in number of options outstanding were as follows:

	Quarter ended September 30,		Half year ended September 30,		Year ended
	2007	2006	2007	2006	March 31, 2007
Options	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
At the beginning of the period /year	19,117,177	40,628,076	19,976,210	45,605,388	45,605,388
Granted	—	—	—	—	—
Exercised	(810,108)	(1,943,694)	(1,248,498)	(5,495,790)	(17,448,659)
Cancelled	(436,175)	(5,115,818)	(856,818)	(6,541,034)	(8,180,519)
Lapsed	(34,109)	—	(34,109)	—	—
At the end of the period / year	17,836,785	33,568,564	17,836,785	33,568,564	19,976,210

iii) Associate Stock Option Plan (ADS)

Satyam Computer Services has established a scheme “Associate Stock Option Plan (ADS)” to be administered by the Administrator of the ASOP (ADS), a committee appointed by the Board of Directors of Satyam Computer Services. Under the scheme 5,149,330 ADS are reserved to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the day of grant as decided by the Administrator of the ASOP (ADS). Each ADS represents two equity shares of Rs. 2 each fully paid up. These warrants vest over a period of 1-10 years from the date of the grant. The time available to exercise the warrants upon vesting is as decided by the Administrator of the ASOP (ADS).

Accordingly, options (net of cancellation) for a total number of 1,391,533 ADS (September 30, 2006 – 1,776,470; March 31, 2007 – 1,461,064) representing 2,783,066 equity shares of Rs. 2 each were outstanding as at September 30, 2007 (September 30, 2006 – 3,552,940; March 31, 2007 – 2,922,128).

Changes in number of options outstanding were as follows:

	Quarter ended September 30,		Half year ended September 30,		Year ended
	2007	2006	2007	2006	March 31, 2007
Options	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
At the beginning of the period /year	1,439,946	1,900,496	1,461,064	1,991,342	1,991,342
Granted	—	—	—	20,000	20,000
Exercised	(34,573)	(35,266)	(52,635)	(119,720)	(424,136)
Cancelled	(13,100)	(88,760)	(16,156)	(115,152)	(126,142)
Lapsed	(740)	—	(740)	—	—
At the end of the period / year	1,391,533	1,776,470	1,391,533	1,776,470	1,461,064

iv) Associate Stock Option Plan — Restricted Stock Units (ASOP – RSUs)

Satyam Computer Services has established a scheme "Associate Stock Option Plan — Restricted Stock Units (ASOP – RSUs)" to be administered by the Administrator of the ASOP – RSUs, a committee appointed by the Board of Directors of Satyam Computer Services. Under the scheme 13,000,000 equity shares are reserved to be issued to eligible associates at a price to be determined by the Administrator which shall not be less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the warrants upon vesting is five years from the date of vesting.

Accordingly, options (net of cancellations) for a total number of 3,254,850 ASOP-RSUs equity shares of Rs. 2 each were outstanding as at September 30, 2007 (September 30, 2006 – Nil; March 31, 2007 – 3,293,140).

	Quarter ended September 30,		Half year ended September 30,		Year ended
	2007	2006	2007	2006	March 31, 2007
Options	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
At the beginning of the period / year	3,318,140	—	3,293,140	—	—
Granted	28,000	—	53,000	—	3,293,140
Exercised	—	—	—	—	—
Cancelled	(91,290)	—	(91,290)	—	—
At the end of the period / year	3,254,850	—	3,254,850	—	3,293,140

v) Associate Stock Option Plan — RSUs(ADS) (ASOP – RSUs(ADS))

Satyam Computer Services has established a scheme "Associate Stock Option Plan — RSUs (ADS)" to be administered by the Administrator of the ASOP – RSUs (ADS), a committee appointed by the Board of Directors of Satyam Computer Services. Under the scheme 13,000,000 equity shares minus the number of shares issued from time to time under the Associate Stock Option Plan — RSUs are reserved to be issued to eligible associates at a price to be determined by the Administrator not less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the warrants upon vesting is five years from the date of vesting.

Accordingly, options (net of cancellation) for a total number of 257,340 ADS (September 30, 2006 – Nil; March 31, 2007 – 236,620) representing 514,680 equity shares of Rs. 2 each were outstanding as at September 30, 2007 (September 30, 2006 – Nil; March 31, 2007 – 473,240).

	Quarter ended September 30,		Half year ended September 30,		Year ended
	2007	2006	2007	2006	March 31, 2007
Options	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
At the beginning of the period / year	254,120	—	236,620	—	—
Granted	15,000	—	32,500	—	236,620
Exercised	—	—	—	—	—
Cancelled	(11,780)	—	(11,780)	—	—
At the end of the period / year	257,340	—	257,340	—	236,620

2) Stock Option Scheme of Nipuna Services

In April 2004, Nipuna Services established its Employee Stock Option Plan (the "ESOP") for its employees. The exercise price is equal to the fair market value on the date of the grant. These options vest over a period ranging from two to four years, starting with 33.33% in the second year, 33.33% in the third year and remaining 33.34% in the fourth year from the date of grant. Upon granting, they are subject to lock in period of one year.

Accordingly, options (net of cancellations) for a total number of 711,750 equity shares of Rs. 80 each were outstanding as at September 30, 2007 (September 30, 2006 – 1,025,600; March 31, 2007 – 998,702).

Options	Quarter ended September 30, 2007 (Unaudited)	Quarter ended September 30, 2006 (Unaudited)	Half year ended September 30, 2007 (Unaudited)	Half year ended September 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
At the beginning of the period / year	998,702	855,506	998,702	1,215,506	1,215,506
Granted	—	224,898	—	224,898	324,000
Exercised	(286,952)	—	(286,952)	—	—
Cancelled	—	(54,804)	—	(414,804)	(540,804)
At the end of the period / year	711,750	1,025,600	711,750	1,025,600	998,702

c) Pro forma disclosures

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black Scholes' model, the pro forma amounts of Satyam's net profit and earnings per share would have been as follows:

Particulars	Quarter ended September 30, 2007 (Unaudited)	Quarter ended September 30, 2006 (Unaudited)	Half year ended September 30, 2007 (Unaudited)	Half year ended September 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
1. Profit After Taxation and Minority Interest					
- As reported (Rs. in crores)	409.09	319.81	787.41	673.93	1,404.74
- Pro forma (Rs. in crores)	403.76	304.44	778.39	642.55	1,354.56
2. Earnings Per Share:					
Basic					
- No. of shares	668,193,383	653,538,584	667,797,808	652,502,120	654,853,959
- EPS as reported (Rs.)	6.12	4.89	11.79	10.33	21.45
- Pro forma EPS (Rs.)	6.04	4.66	11.66	9.85	20.68
Diluted					
- No. of shares	684,809,807	673,862,942	684,386,217	672,826,478	669,705,425
- EPS as reported (Rs.)	5.97	4.75	11.51	10.02	20.98
- Pro forma EPS (Rs.)	5.90	4.52	11.37	9.62	20.23

The following assumptions were used for calculation of fair value of grants:

Options	Quarter ended September 30, 2007 (Unaudited)	Quarter ended September 30, 2006 (Unaudited)	Half year ended September 30, 2007 (Unaudited)	Half year ended September 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
Dividend yield (%)	0.78	0.75	0.78	0.75	0.78
Expected volatility (%)	56.64	56.15	56.64	56.15	59.01
Risk-free interest rate (%)	8.00	7.00	8.00	7.00	8.00
Expected term (in years)	0.97	1.14	0.97	1.14	0.96

d) Convertible Redeemable Cumulative Preference Shares

Nipuna Services issued 45,669,999 and 45,340,000 0.05% Convertible Redeemable Cumulative Preference Shares of par value Rs.10 each fully paid-up in October 2003 and June 2004 respectively to Olympus BPO Holdings Ltd. and Intel Capital Corporation (preference shareholders) for an aggregate consideration of Rs. 91.01 crores (equivalent to US$ 20 millions). These Preference shares were to be mandatorily converted/redeemed into such number of equity shares latest by June 2007 based on certain provisions in the agreement entered with the preference shareholders relating to revenues and profits earned up to March 31, 2006. The said preference shares, if not converted or early converted at the option of the preference shareholders based on certain triggering events, were redeemable on maturity in June 2007 at a redemption premium, which could range in between 7.5% to 13.5% p.a. Accordingly, Nipuna received a notice of conversion of fifty percent of preference shares into equity shares, from its preference share holders, on December 1, 2006. And in January 2007 45,505,000 preference shares have converted into 6,422,267 equity shares of Nipuna. The balance preference shares were to be redeemed at a premium to be mutually agreed upon at a later date. Satyam Computer Services guaranteed payment of all sums payable by Nipuna to the preference shareholders on redemption of the said preference shares.

Due to the issue of shares by Nipuna Satyam Computer Services' ownership interest in Nipuna was reduced from 100% as at March 31, 2006 to 74% as at June 30, 2007. The shares issued to the Investors are at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of Rs.45.51 crores during the year ended March 31, 2007 has been recorded as an increase in capital reserve. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam's consolidated statement of income.

On August 14, 2007, Satyam Computer Services purchased 4,816,750 equity shares of Nipuna from Olympus BPO Holdings Ltd for Rs.141.81 Crores (Equivalent US$38.88 million). The transaction for the purchase of equity shares of Nipuna from Intel Capital Corporation has not been consummated as of September 30, 2007.

On August 14, 2007, Satyam Computer Services subscribed to further 8,055,000 equity shares of Nipuna of Rs. 10 each at a premium of Rs. 60 per share aggregating to Rs. 56.39 crores.

Nipuna has redeemed 45,504,999 Preference Shares on August 14, 2007 at a redemption value of Rs.56.37 crores including premium on redemption of Rs.10.87 crores. The premium on redemption is reduced from the share premium account.

In September 2007, 286,952 Equity shares of Nipuna were vested and exercised by Nipuna employees under its Employee Stock Option Plan. As a result of Satyam Computer Services ownership interest in Nipuna reduced from 95.10% to 94.27% resulting a gain on dilution of Rs. 2.60 crores and has been recorded as increase in Capital Reserve. Satyam Computer Services purchased these 286,952 Equity shares for a consideration of Rs. 8.46 crores.

Pursuant to the above, Satyam Computer Services' ownership interest in Nipuna increased from 74% as at March 31, 2007 to 95.14% as at September 30, 2007.

e) Share application money pending allotment

Amount received from associates of Satyam Computer Services on exercise of stock options, pending allotment of shares is shown as share application money pending allotment.

f) Secured Loans

Bank Overdraft and Export Packing Credit are secured by way of hypothecation of book debts. External Commercial Borrowing and Working Capital loan are secured by way of movable and immovable property.

Vehicles are hypothecated to the banks as security for the amounts borrowed.

g) Investments

i. During May 2005, Satyam Computer Services acquired Citisoft Plc ("Citisoft"), a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry, with operating presence in London, Boston and New York.

   Satyam Computer Services acquired 75% of the shareholding in Citisoft for an initial cash consideration of Rs. 62.35 crores (inclusive of acquisition costs) and a deferred consideration of Rs.13.63 crores (equivalent GBP 1.75 million). Satyam Computer Services was also required to pay a maximum earn out consideration amounting to Rs.18.35 crores (equivalent GBP 2.25 million) based on achievement of targeted revenues and profits and Employee Benefit Trust (EBT) contribution of Rs. 8.00 crores (equivalent GBP 0.9 million).

On June 29, 2006, Satyam Computer Services acquired the remaining 25% shareholding for a consideration of Rs. 27.47 crores (equivalent GBP 3.26 million) and a maximum earn-out consideration of Rs. 28.87 crores (equivalent GBP 3.54 million) based on achievement of targeted revenues and profits and a maximum EBT contribution of Rs. 14.68 crores (equivalent GBP 1.80 million) contingent on Citisoft achieving certain revenue and profit performance targets. Satyam Computer Service paid Rs. 0.65 crores (Equivalent GBP 0.08 million) towards EBT contribution in May 2007.

On June 29, 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders providing for an early exit of the selling shareholders. As per the amendment agreement, an exit consideration of Rs. 14.25 crores (Equivalent GBP 1.74 million) and payment towards EBT of Rs.0.65 crores (Equivalent GBP 0.08 million) is payable by Satyam Computer Services in July 2007 upon selling shareholders agreeing for removal of provisions of deferred consideration, maximum earn-out consideration and a portion of payments towards EBT. The exit consideration and EBT contribution payable as per the amended agreement have been paid in July 2007 and the payment has been recognized as cost of investment by Satyam Computer Services.

ii. During October 2005, Satyam Computer Services acquired Knowledge Dynamics Pte Ltd (KDPL), a leading Data Warehousing and Business Intelligence Solutions provider, with operating presence in Singapore, Malaysia, USA and India.

Satyam Computer Services acquired 100% of the shareholding in KDPL for a consideration of Rs. 14.64 crores (inclusive of acquisition costs) and a maximum earn out consideration of Rs. 4.87 crores (Equivalent SGD 1.84 million) payable on April 30, 2008, based on achievement of targeted revenues and profits.

On July 19 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders of KDPL on agreeing to the terms of the agreement including removal of provisions relating to earn out consideration. As per the amendment agreement, an exit consideration of Rs. 2.97 Crores (Equivalent SGD 1.11 million) has been paid by Satyam Computer Services in July 2007. In addition to the exit consideration Satyam Computer Services agreed to make a deferred payment of Rs. 0.99 Crores (Equivalent SGD 0.37 million) payable by May 15, 2008.The exit consideration and deferred payment has been recognised as Goodwill. Further Satyam Computer Services agreed to make a maximum earn-out payment of Rs. 1.98 Crores (Equivalent SGD 0.74 million) on or before May 15, 2008. The actual amount of earn-out payment to be made is based on the revenue of KDPL for the year 2007-08.

h) Land

Satyam Computer Services acquired 14.93 acres of land at Hyderabad from Andhra Pradesh Industrial Infrastructure Corporation (APIIC) at a rebate for an aggregate purchase consideration of Rs.7.21 crores. Non-compliance with certain terms and conditions would attract withdrawal of rebate, which may increase the cost of land.

i) Balances with Non-Scheduled Banks

Rs. in crores

Name of the Bank	As at September 30, 2007 (Unaudited)	As at September 30, 2006 (Unaudited)	As at March 31, 2007 (Audited)
Balances with Non-Scheduled Banks on Current Accounts			
ANZ Grindlays Bank, New York	—	—	—
Banco Do Brasil, Brazil	0.52	—	0.60
Barclays Bank, London	5.94	2.07	1.37
Bank of America, Boston	4.20	0.12	0.40
Banque Nationale De Paris, Brussels	1.94	0.95	1.80
Banque Nationale De Paris, Euro	—	0.02	—
Banque Nationale De Paris, Saarbruecken	4.66	1.67	2.40
Banque Nationale De Paris, Hague	2.94	3.93	2.84
Banque Nationale De Paris, Ireland	1.03	1.29	1.66
Banque Nationale De Paris, Italy	0.69	0.57	0.93
Banque Nationale De Paris, France	1.10	0.99	1.88
Banque Nationale De Paris, Saudi Arabia	3.56	0.61	0.19
Banque Nationale De Paris, Singapore	1.67	0.16	0.33
Banque Nationale De Paris, Spain	0.63	0.83	0.60
Banque Nationale De Paris, Switzerland	3.10	1.78	0.37
Banque Nationale De Paris, Taipei	2.25	2.13	2.45
Chase, Canada	0.01	0.01	0.01
Chase, Michigan	0.34	0.35	0.53
China Merchants Bank, Dalian	—	—	—

Rs. in crores

Name of the Bank	As at September 30, 2007 (Unaudited)	As at September 30, 2006 (Unaudited)	As at March 31, 2007 (Audited)
Citibank NA, Bangkok	11.12	7.28	14.19
Citibank NA, Brazil	2.01	—	—
Citibank NA, Chicago	—	0.80	—
Citibank NA, Denmark	0.67	0.18	0.58
Citibank NA, Dubai	0.48	0.36	0.08
Citibank NA, Hong Kong	0.52	1.23	1.56
Citibank NA, Hungary	0.39	0.23	0.18
Citibank NA, Kuala Lumpur	1.23	2.05	0.80
Citibank NA, London	0.67	0.99	2.25
Citibank NA, New York	5.19	3.10	9.42
Citibank NA, New Jersey	0.39	—	—
Citibank NA, New Zealand	1.53	1.48	1.37
Citibank NA, Seoul	10.74	8.14	10.39
Citibank NA, Singapore	3.46	3.08	3.81
Citibank NA, Johannesburg	6.64	2.97	2.21
Citibank NA, Sydney	22.06	14.03	18.67
Citibank International Plc, Stockholm	0.71	0.31	0.45
Citibank NA, Toronto	3.76	3.52	2.47
Commerz Bank, New York	—	—	—
Dresdner Bank, Saarbruecken	2.16	0.82	2.82
Hong Kong and Shanghai Banking Corporation, London	17.29	28.99	21.09
Hong Kong and Shanghai Banking Corporation, Mauritius	0.14	—	—
Hong Kong and Shanghai Banking Corporation, Shanghai	0.71	1.31	1.42
Hong Kong and Shanghai Banking Corporation, Tokyo	5.60	3.43	3.83
Koonmin Bank, Seoul	—	—	—
KSB Bank N V, Brussels	2.65	2.57	0.95
Mitsui Sumitomo Bank, Tokyo	2.16	0.81	0.58
OCBC Bank, Singapore	1.12	0.81	0.83
OCBC Bank, Kuala Lumpur	—	—	—
Pudong Development Bank, Shanghai	—	0.04	—
Standard Chartered Bank, Singapore	—	—	—
Standard Chartered Bank, Nanjing	0.78	—	—
UBS, Switzerland	0.40	1.08	7.67
Unicredit Banca, Italy	0.29	1.05	0.57
United Bank, Vienna	38.40	33.74	39.55
Wachovia Bank, Atlanta	0.28	1.33	1.43
Wachovia Bank, New Jersey	0.80	2.82	11.00
	178.93	**146.03**	**178.53**
Balances held on Deposit Accounts			
Banque Nationale De Paris, Singapore	1.35	28.54	10.09
Citibank NA, Hungary	0.81	0.77	0.84
	2.16	**29.31**	**10.93**

j) Segment Reporting

Satyam has adopted AS 17, "Segment Reporting" issued by the Institute of Chartered Accountants of India, which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on consolidated revenues and net income for the companies in Satyam Computer Services. Satyam evaluates operating segments based on the following two business groups:

- IT Services, providing a comprehensive range of services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions, and infrastructure management services. Satyam Computer Services provides its customers the ability to meet all of their information technology needs from one service provider. Satyam Computer Services' eBusiness services include designing, developing integrating and maintaining Internet-based applications, such as eCommerce websites, and implementing packaged software applications, such as customer or supply chain management software applications. Satyam Computer Services also assists its customers in making their existing computing systems accessible over the Internet.
- BPO, providing Business Process Outsourcing services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

Satyam's operating segment information for the quarter and half year ended September 30, 2007 and 2006 and for the year ended March 31, 2007 are as follows:

Business Segment

Rs. in crores

Description	Quarter ended September 30, 2007 (Unaudited) IT Services	BPO	Elimination	Total
Revenue				
Sales to external customers	1,985.85	45.87	—	2,031.72
Inter Segment Sales	0.05	15.02	(15.07)	—
Total Revenue	**1,985.90**	**60.89**	**(15.07)**	**2,031.72**
Segment result–Profit/(Loss)	367.21	(3.57)	—	363.64
Interest expense	0.63	3.55	—	4.18
Other income	107.93	2.61	—	110.54
Income taxes	60.64	0.27	—	60.91
Profit/(Loss) from ordinary activities	**413.87**	**(4.78)**	**—**	**409.09**
Minority Interest	—	—	—	—
Profit/(Loss) after Tax and Minority Interest	**413.87**	**(4.78)**	**—**	**409.09**
Other Segment Information				
Capital Expenditure	239.52	5.20	—	244.72
Depreciation	33.79	5.27	—	39.06
Non-cash expenses other than depreciation	30.23	0.01	—	30.24

Rs. in crores

Description	Quarter ended September 30, 2006 (Unaudited) IT Services	BPO	Elimination	Total
Revenue				
Sales to external customers	1,569.30	32.58	—	1,601.88
Inter Segment Sales	0.40	9.05	(9.45)	—
Total Revenue	**1,569.70**	**41.63**	**(9.45)**	**1,601.88**
Segment result–Profit/(Loss)	327.39	(2.41)	—	324.98
Interest expense	0.31	2.41	—	2.72
Other income	28.02	0.21	—	28.23
Income taxes	30.52	0.16	—	30.68
Profit/(Loss) from ordinary activities	**324.58**	**(4.77)**	—	**319.81**
Minority Interest	—	—	—	—
Profit/(Loss) after Tax and Minority Interest	**324.58**	**(4.77)**	—	**319.81**
Other Segment Information				
Capital Expenditure	114.79	12.68	—	127.47
Depreciation	33.80	3.71	—	37.51
Non-cash expenses other than depreciation	2.28	—	—	2.28

Rs. in crores

Description	IT Services	BPO	Elimination	Total
	Half year ended September 30, 2007 (Unaudited)			
Revenue				
Sales to external customers	3,781.19	80.72	—	3,861.91
Inter Segment Sales	0.07	28.82	(29.89)	—
Total Revenue	**3,781.26**	**109.54**	**(28.89)**	**3,861.91**
Segment result–Profit/(Loss)	745.87	(10.63)	—	735.24
Interest expense	1.15	6.35	—	7.50
Other income	169.40	4.34	—	173.74
Income taxes	113.66	0.41	—	114.07
Profit/(Loss) from ordinary activities	**800.46**	**(13.05)**	**—**	**787.41**
Minority Interest	—	—	—	—
Profit/(Loss) after Tax and Minority Interest	**800.46**	**(13.05)**	**—**	**787.41**
Other Segment Information				
Capital Expenditure	331.06	10.66	—	341.72
Depreciation	67.25	10.50	—	77.75
Non-cash expenses other than depreciation	60.46	0.01	—	60.47

Rs. in crores

Description	IT Services	BPO	Elimination	Total
	Half year ended September 30, 2006 (Unaudited)			
Revenue				
Sales to external customers	2,983.52	61.29	—	3,044.81
Inter Segment Sales	0.77	16.70	(17.47)	—
Total Revenue	**2,984.29**	**77.99**	**(17.47)**	**3,044.81**
Segment result–Profit/(Loss)	651.29	(7.47)	—	643.82
Interest expense	1.40	3.87	—	5.27
Other income	102.07	0.64	—	102.71
Income taxes	67.24	0.21	—	67.45
Profit/(Loss) from ordinary activities	**684.72**	**(10.91)**	—	**673.81**
Minority Interest	0.12	—	—	0.12
Profit/(Loss) after Tax and Minority Interest	**684.84**	**(10.91)**	—	**673.93**
Other Segment Information				
Capital Expenditure	204.23	20.02	—	224.25
Depreciation	67.03	6.65	—	73.68
Non-cash expenses other than depreciation	4.69	0.06	—	4.75

Rs. in crores

Description	IT Services	BPO	Elimination	Total
	Year ended March 31, 2007 (Audited)			
Revenue				
Sales to external customers	6,354.40	130.68	—	6,485.08
Inter Segment Sales	1.13	41.01	(42.14)	—
Total Revenue	**6,355.53**	**171.69**	**(42.14)**	**6,485.08**
Segment result–Profit/(Loss)	1,397.90	(8.63)	—	1,389.27
Interest expense	7.71	8.21	—	15.92
Other income	183.46	(0.18)	—	183.28
Income taxes	151.42	0.59	—	152.01
Profit/(Loss) from ordinary activities	**1,422.23**	**(17.61)**	—	**1,404.62**
Minority Interest	0.12	—	—	0.12
Profit/(Loss) after Tax and Minority Interest	**1,422.35**	**(17.61)**	—	**1,404.74**
Other Segment Information				
Capital Expenditure	381.13	36.09	—	417.22
Depreciation	133.73	14.71	—	148.44
Non-cash expenses other than depreciation	36.21	0.21	—	36.42

Particulars of Segment Assets and Liabilities

Description	IT Services	BPO	Elimination	Total
				Rs. in crores
Segment Assets	3,816.13	350.95	(45.56)	4,121.52
Investments	225.31	—	(225.31)	—
Bank Deposits	3,323.97	3.70	—	3,327.67
Other Assets	230.82	0.07	—	230.89
Total Assets	**7,596.23**	**354.72**	**(270.87)**	**7,680.08**
Segment Liabilities	890.25	59.20	(45.56)	903.89
Other Liabilities	138.80	164.32	—	303.12
Total Liabilities	**1,029.05**	**223.52**	**(45.56)**	**1,207.01**

Description	IT Services	BPO	Elimination	Total
			Rs. in crores	
Segment Assets	3,888.03	131.80	(29.95)	3,989.88
Investments	18.27	—	(18.27)	—
Bank Deposits	1,802.80	28.81	—	1,831.61
Other Assets	194.36	0.04	—	194.40
Total Assets	**5,903.46**	**160.65**	**(48.22)**	**6,015.89**
Segment Liabilities	823.92	49.67	(29.95)	843.64
Other Liabilities	70.18	113.57	—	183.75
Total Liabilities	**894.10**	**163.24**	**(29.95)**	**1,027.39**

Description	IT Services	BPO	Elimination	Total
			Rs. in crores	
Segment Assets	3,302.98	169.21	(67.82)	3,404.37
Investments	18.27	—	(18.27)	—
Bank Deposits	3,371.84	10.35	—	3,382.19
Other Assets	108.53	0.05	—	108.58
Total Assets	**6,801.62**	**179.61**	**(86.09)**	**6,895.14**
Segment Liabilities	943.25	57.18	(67.82)	932.61
Other Liabilities	78.79	131.14	—	209.93
Total Liabilities	**1,022.04**	**188.32**	**(67.82)**	**1,142.54**

Geographic Segment

Revenue attributable to location of customers is as follows:

				Rs. in crores	
Geographic location	Quarter ended September 30,		Half year ended September 30,		Year ended
	2007	2006	2007	2006	March 31, 2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
North America	1,189.38	1,036.83	2,322.24	1,964.48	4,132.28
Europe	434.10	299.95	813.64	573.59	1,250.27
Japan	28.98	25.34	52.88	41.08	92.85
India	66.54	76.63	119.79	142.90	296.96
Rest of the World	312.72	163.13	553.26	322.76	712.72
Total	**2,031.72**	**1,601.88**	**3,861.91**	**3,044.81**	**6,485.08**

Segment assets based on their location are as follows:

Geographic location	Segment Assets (Rs. in crores) As at September 30, 2007 (Unaudited)	2006 (Unaudited)	As at March 31, 2007 (Audited)
North America	1,651.38	2,192.94	1,343.59
Europe	607.36	402.54	544.15
Japan	54.73	46.61	57.23
India	1,384.49	1,036.12	1,102.67
Rest of the World	441.73	311.67	356.73
Total	**4,139.69**	**3,989.88**	**3,404.37**

Rs. in crores

Geographic location	Addition to fixed assets: Quarter ended September 30, 2007 (Unaudited)	2006 (Unaudited)	Half year ended September 30, 2007 (Unaudited)	2006 (Unaudited)	Year ended March 31, 2007 (Audited)
North America	0.75	0.91	2.61	1.83	4.14
Europe	5.09	8.56	7.75	8.84	12.23
Japan	0.03	0.08	1.56	0.16	0.30
India	230.34	114.00	316.78	208.53	394.40
Rest of the World	8.51	2.84	13.02	3.82	6.15
Total	**244.72**	**126.39**	**341.72**	**223.18**	**417.22**

k) Related Party Transactions:

Satyam Computer Services had transactions with the following related parties:

Others: Satyam Foundation Trust (Enterprises where spouses of certain Whole-time Directors and Key Management Personnel are trustees) and Satyam Associate Trust (Enterprises where some of the Key Management Personnel are trustees).

Directors and Key Management Personnel: B.Ramalinga Raju, B.Rama Raju, Ram Mynampati (Whole-time Directors), Prof. Krishna G Palepu (Director), D. Subramaniam, V. Srinivas, G. Jayaraman, Shailesh Shah, Vijay Prasad Boddupalli , Manish Sukhlal Mehta, Dr. Keshab Panda, Virender Aggarwal, T R Anand,, Hetzel Wayne Folden*, Joseph J Lagioia*, Sreenidhi Sharma*, T.S.K Murthy*,Venkatesh Roddam, M.Satyanarayana, Deepak Mangla (partly employed), Naresh Jhangiani, Seshadri Krishna, K Srinivas Rao and S. Nagarajaiah Harish.

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* Included during the quarter ended September 30, 2007.

Summary of the transactions and balances with the above related parties are as follows:

Transactions: **Rs. in crores**

	Quarter ended September 30, 2007 (Unaudited)	2006 (Unaudited)	Half year ended September 30, 2007 (Unaudited)	2006 (Unaudited)	Year ended March 31, 2007 (Audited)
Others					
Contributions	0.99	0.77	1.97	1.64	3.48

Balances:

Rs. in crores

Others	As at September 30, 2007 (Unaudited)	2006 (Unaudited)	As at March 31, 2007 (Audited)
Advances	5.72	0.72	5.72

Transactions with Directors and Key Management Personnel

Nature of Transactions	Rs. in crores				
	Quarter ended September 30,		Half year ended September 30,		Year ended
	2007	2006	2007	2006	March 31, 2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Remuneration to Whole-time Directors	0.63	0.16	1.21	0.31	2.27
Remuneration to Key Management Personnel	8.73	5.02	14.72	10.27	24.01
Professional charges to Director	0.20	—	0.40	—	0.87
Advances to Key Management Personnel	0.08	1.55	0.12	1.56	1.58

Balances due to / from Directors and Key Management Personnel

	Rs. in crores		
	As at September 30,		As at March 31,
	2007	2006	2007
	(Unaudited)	(Unaudited)	(Audited)
Remuneration payable to Whole-time Directors	0.32	—	0.45
Remuneration payable to Key Management Personnel	1.32	0.23	0.89
Advances due from Key Management Personnel	0.08	0.67	0.19
Professional charges payable to Director	0.40	—	0.87

Options granted and outstanding to the Key Management Personnel 1,935,259 {includes 25,925 options granted under ASOP – ADS and 48,000 options granted under ASOP – RSUs (ADS)} (September 30, 2006 – 4,190,932 {includes 190,692 options granted under ASOP – ADS and Nil options granted under ASOP – RSUs (ADS)}; March 31, 2007 – 2,969,128 {includes 139,554 options granted under ASOP – ADS and 61,500 options granted under ASOP – RSUs (ADS)}).

Options granted and outstanding to a Whole-time Director 537,860 {includes 512,860 options granted under ASOP – ADS and 25,000 options granted under ASOP – RSUs (ADS)}; September 30, 2006 – 512,860 options granted under ASOP – ADS; (March 31, 2007 – 537,860 {includes 512,860 options granted under ASOP – ADS and 25,000 options granted under ASOP – RSUs (ADS)}).

Options granted and outstanding to Non-executive Directors of Satyam Computer Services and its subsidiary 62,500 {includes 17,500 options granted under ASOP – RSUs (ADS)} (September 30, 2006 – Nil; March 31, 2007 – Nil).

l) Obligation on long term non-cancelable operating leases

Satyam Computer Services has entered into operating lease agreements for its development centres at offshore, onsite and offsites ranging for a period of 3 to 10 years. The lease rentals charged during the period / year and maximum obligations on long-term non-cancelable operating leases payable as per the rentals stated in respective agreements are as follows:

	Rs. in crores				
	Quarter ended September 30,		Half year ended September 30,		Year ended
	2007	2006	2007	2006	March 31, 2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Lease rentals (Refer Schedule 16)	33.35	25.84	61.86	47.49	100.75

	As at September 30,		As at March 31,
	2007	2006	2007
	(Unaudited)	(Unaudited)	(Audited)
Obligations on non-cancelable leases			
Not later than one year	21.76	23.34	20.23
Later than one year and not later than five years	18.99	24.41	17.20
Later than five years	1.05	2.11	1.43
Total	**41.80**	**49.86**	**38.86**

m) Earnings per Share

At the Annual General Meeting of Satyam Computer Services held on August 21, 2006, the shareholders approved a 1:1 bonus issue for all shareholders including the ADS holders i.e. one additional equity share for every one existing equity share held by the members by utilising a part of the general reserves. The record date for the bonus issue was October 10, 2006 and shares were allotted on October 11, 2006. All basic and diluted shares used in determining earnings per share are after considering the effect of bonus issue.

Calculation of EPS (Basic and Diluted):

		Quarter ended September 30,		Half year ended September 30,		Year ended
		2007	2006	2007	2006	March 31, 2007
S.No.	Particulars	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Basic						
1.	Opening no. of shares	667,670,523	652,620,082	667,196,009	648,899,078	648,899,078
2.	Total Shares outstanding	668,193,383	653,538,584	667,797,808	652,502,120	654,853,959
3.	Profit after Taxation and Minority Interest (Rs. in crores)	409.09	319.81	787.41	673.93	1,404.74
4.	EPS (Rs.)	6.12	4.89	11.79	10.33	21.45
Diluted						
5.	Stock options outstanding	16,616,424	20,324,358	16,588,409	20,324,358	14,851,466
6.	Total shares outstanding (including dilution)	684,809,807	673,862,942	684,386,217	672,826,478	669,705,425
7.	EPS (Rs.)	5.97	4.75	11.51	10.02	20.98

n) The aggregate amounts of the assets, liabilities, income and expenses related to Satyam's share in joint venture companies that are consolidated and included in these financial statements are as follows:

Rs. in crores

	Quarter ended September 30,		Half year ended September 30,		Year ended
	2007	2006	2007	2006	March 31, 2007
Description	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Income from Sales and Services	10.05	9.84	18.97	19.55	38.38
Other Income	(0.24)	(0.01)	(0.33)	0.21	1.97
Total	**9.81**	**9.83**	**18.64**	**19.76**	**40.35**
Personnel expenses	5.15	4.52	10.47	9.73	19.57
Other expenses	3.81	3.33	6.74	6.10	12.74
Interest	0.02	0.04	0.03	0.06	0.09
Depreciation	0.68	0.52	1.17	0.99	2.02
Total	**9.66**	**8.41**	**18.41**	**16.88**	**34.42**
Net Profit	**0.15**	**1.42**	**0.23**	**2.88**	**5.93**

Description	As at September 30, 2007 (Unaudited)	As at September 30, 2006 (Unaudited)	As at March 31, 2007 (Audited)
Secured Loans	0.05	0.09	0.06
Unsecured Loans	—	—	—
Fixed Assets	2.28	3.72	2.96
Inventories	0.02	0.18	0.02
Sundry Debtors	15.43	12.79	12.12
Cash and Bank Balances	9.69	3.89	9.84
Loans and Advances	4.06	5.15	3.32
Interest Accrued on Fixed Deposits	0.06	—	0.03
Current Liabilities	9.65	6.55	6.46
Provisions	0.87	0.45	0.61

Rs. in crores

o) Commitments and Contingencies

i. Bank Guarantees outstanding Rs. 108.24 crores (September 30, 2006 – Rs. 73.79 crores; March 31, 2007 – Rs. 99.46 crores).

ii. Contracts pending execution on capital accounts, net of advances, Rs. 308.04 crores (September 30, 2006 – Rs. 179.33 crores; March 31, 2007 – Rs. 164.58 crores).

iii. Forward & Option Contracts outstanding Rs. 3,125.55 crores (Equivalent US$ 783.22 millions) {September 30, 2006 — Rs. 727.10 crores (Equivalent US$ 158.00 millions), March 31, 2007 — Rs. 1,978.98 crores (Equivalent US$ 452.63 millions)}.Gain/(Loss) on foreign exchange forward and options contracts which are included under the head Gain/(Loss) on exchange fluctuation in the profit and loss account amounted to Rs.46.61 crores and Rs 136.50 crores for the quarter and half year ended September 30,2007 respectively {quarter ended September 30, 2006 Rs. 7.22 crores and half year ended September 30,2007 Rs. (14.78) crores, year ended March 31, 2007 – Rs. 26.64 crores}. There are no unhedged forex exposures.

iv. Claims against the company not acknowledged as debts

Income tax and Sales tax matters under dispute – Rs. 20.87 crores (September 30, 2006 – Rs. 20.38 crores; March 31, 2007 – Rs. 22.03 crores)

v. Arrears on 0.05% Convertible Redeemable Cumulative Preference Shares amounting to Rs. Nil crores (September 30, 2006 – Rs. 0.12 crores; March 31, 2007 – Rs. 0.14 crores)

vi. Contingent consideration payable in respect of acquired subsidiary companies Rs. 1.98 crores (September 30, 2006 – Rs. 76.19 crores; March 31, 2007 – Rs. 75.56 crores)

vii. Satyam Computer Services has given a corporate guarantee on behalf of a subsidiary for the loan obtained amounting to a maximum of Rs. 79.64 crores (September 30, 2006 – Rs. 91.88 crores; March 31, 2007 – Rs. 87.18 crores) (equivalent US$ 20 millions).

viii. Satyam Computer Services had filed a request for arbitration with the London Court of International Arbitration (“LCIA”) naming Venture Global Engineering LLC, USA (“VGE”) as respondent. The Arbitration concerned a dispute between Satyam Computer Services and VGE in connection with their joint venture Satyam Venture Engineering Services Private Limited (“SVES”).

The LCIA Arbitrator issued his Final Award on April 3, 2006 in favour of Satyam Computer Services. Satyam Computer Services has filed a petition to recognize and enforce the Award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois. The Management believes that this will not have any adverse effect upon Satyam’s results of operations, financial condition and cash flows.

p) The Gratuity Plan

The following table sets forth the status of the Gratuity Plan of the company, and the amounts recognized in the consolidated balance sheets and profit and loss account.

Rs. in crores

	Quarter ended September 30,		Half year ended September 30,		Year ended March 31,
	2007	2006	2007	2006	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Projected benefit obligation at the beginning of the period / year	49.35	36.01	47.56	35.32	35.34
Current service cost	2.71	2.27	4.94	4.40	8.96
Interest cost	1.02	0.56	1.88	1.20	2.32
Actuarial loss/(gain)	11.71	6.07	11.60	5.53	6.17
Benefits paid	(2.28)	(0.94)	(3.47)	(2.47)	(5.25)
Projected benefit obligation at the end of the period / year	**62.51**	**43.97**	**62.51**	**43.98**	**47.54**
Amounts recognized in the balance sheet					
Projected benefit obligation at the end of the period / year	62.51	43.97	62.51	43.98	47.54
Fair value of plan assets at end of the period / year		—		—	—
Funded status of the plans – (asset)/ liability	**62.51**	**43.97**	**62.51**	**43.98**	**47.54**
Liability recognised in the balance sheet	**62.51**	**43.97**	**62.51**	**43.98**	**47.54**
Gratuity cost for the period / year					
Current service cost	2.71	2.27	4.94	4.40	8.96
Interest cost	1.02	0.56	1.88	1.20	2.32
Net actuarial (gain)/loss recognised in the period / year	11.71	6.07	11.59	5.53	6.19
Net gratuity cost	**15.44**	**8.90**	**18.41**	**11.13**	**17.47**
Assumptions					
Discount rate	7.65%	7.4%	7.65%	7.4%	8.00%
Long-term rate of compensation increase	7.00%	7.0%	7.00%	7.0%	7.00%

q) Provision For Leave encashment

Effective April 01, 2006, Satyam Computer Services has adopted the revised accounting standard (AS-15) on Employee Benefits. Pursuant to the adoption, the transitional obligations of Satyam Computer Services towards leave encashment amounted to Rs. 26.91 crores. As required by the standard, an amount of Rs. 17.52 crores (net of related deferred tax of Rs. 8.86 crores) has been adjusted against opening balance of general reserve as at April 01, 2006.

r) The financial statements are represented in Rs. crores. Those items which were not represented in the financial statements due to rounding off to the nearest Rs. crores are given below:

		Rs. in lakhs		
		As at September 30,		As at March 31,
Schedule No.	Description	2007	2006	2007
5(ii)	National Saving Certificates, VIII Series (Lodged as security with government authorities)	0.16	0.16	0.16
18(i)	*Balances with non-scheduled banks*			
	ANZ Grindlays Bank, New York	0.10	0.10	0.09
	China Merchants Bank, Dalian	0.31	—	—
	Commerz Bank, New York	0.24	0.24	0.24
	OCBC Bank, Kuala Lumpur	—	0.06	—
	Standard Chartered Bank, Singapore	—	0.47	—

s) Subsequent event

On October 23, 2007, Satyam Computer Services announced its intention to acquire 100% of the shares of NITOR Global Solutions Ltd, United Kingdom ("Nitor"), a Company specialized in the Infrastructure Management Services (IMS) space. The total consideration for this acquisition is approximately Rs. 22.29 crores (Equivalent GBP 2.76 million) including a performance-based payment of up to Rs. 10.48 crores (Equivalent GBP 1.3 million) over two years conditional upon specified revenue and profit targets being met. The initial consideration of Rs. 11.81 crores (Equivalent GBP 1.46 million) is payable by January 03, 2008 out of which Rs. 2.13 crores (Equivalent GBP 0.26 million) is payable by October 31, 2007.

t) Reclassification

Figures for the corresponding period and previous year have been regrouped, recast and rearranged to conform to those of the current period wherever necessary.

Satyam Computer Services Limited
Consolidated Cash Flow Statement

Rs. in crores

		For the Quarter ended 30.09.2007 (Unaudited)	For the Quarter ended 30.09.2006 (Unaudited)	For the Half year ended 30.09.2007 (Unaudited)	For the Half year ended 30.09.2006 (Unaudited)	For the Year ended 31.03.2007 (Audited)
A.	**Cash Flows from Operating Activities**					
	Net Profit before Tax	427.71	323.18	814.34	684.18	1,405.24
	Financial expenses	4.19	2.72	7.51	5.27	15.92
	Depreciation / Amortisation	39.06	37.51	77.75	73.67	148.44
	Loss on sale of Fixed Assets	0.53	0.24	0.89	0.46	0.88
	Minority Interest	—	—	—	(0.12)	(0.12)
	Exchange differences on translation of foreign currency cash and cash equivalents	6.99	1.85	43.84	(43.28)	(9.23)
	Operating profit before changes in Working Capital	**478.48**	**365.50**	**944.33**	**720.18**	**1,561.13**
	(Increase)/Decrease in Inventories	0.02	—	—	0.01	0.17
	(Increase)/Decrease in Sundry Debtors	(216.17)	(177.75)	(330.73)	(257.54)	(574.75)
	(Increase)/Decrease in Loans and Advances	(5.05)	(5.93)	(56.32)	(21.43)	(45.29)
	Increase/(Decrease) in Current Liabilities and Provisions	140.62	159.80	66.96	242.99	212.11
	Cash generated from Operating Activities	**397.90**	**341.62**	**624.24**	**684.21**	**1,153.37**
	Income Taxes Paid	(41.27)	(17.50)	(82.51)	(77.21)	(157.16)
	Net Cash from Operating Activities	**356.63**	**324.12**	**541.73**	**607.00**	**996.21**
B.	**Cash Flows used in Investing Activities**					
	Purchase of Fixed Assets	(206.10)	(118.26)	(283.71)	(191.61)	(385.36)
	Acquisition of Citisoft Plc.	(16.40)	(8.11)	(33.79)	(22.59)	(22.59)
	Acquisition of Knowledge Dynamics Pte Ltd.	(2.97)	—	(2.97)	(3.59)	(3.59)
	Proceeds from sale of Fixed Assets	0.20	0.40	0.67	0.76	2.67
	Proceeds from maturity of Long Term Deposits	—	—	—	—	1,795.50
	Investment in Long Term Deposits	—	—	—	—	(3,308.41)
	Interest income received	15.62	7.39	31.50	15.45	212.96
	Net Cash used in Investing Activities	**(209.65)**	**(118.58)**	**(288.30)**	**(201.58)**	**(1,708.82)**

Rs. in crores

		For the Quarter ended 30.09.2007 (Unaudited)	For the Quarter ended 30.09.2006 (Unaudited)	For the Half year ended 30.09.2007 (Unaudited)	For the Half year ended 30.09.2006 (Unaudited)	For the Year ended 31.03.2007 (Audited)
C.	**Cash Flows used in Financing Activities**					
	Proceeds from issue of Share Capital including Share Application money pending allotment	15.91	31.54	20.41	88.10	301.58
	Repayment of Preference Share Capital	(56.37)	—	(56.37)	—	—
	Proceeds from Secured Loans	30.05	38.31	127.73	64.78	153.38
	Repayment of Secured Loans	(17.56)	(27.20)	(84.93)	(38.44)	(108.20)
	Financial Expenses Paid	(4.09)	(3.37)	(7.14)	(4.76)	(15.45)
	Payment of Dividend (including tax				8)	
	on dividend)	(195.48)	(186.30)	(195.4	(186.30)	(261.12)
	Net Cash from / used Financing Activities	**(227.55)**	**(147.02)**	**(195.78)**	**(76.62)**	**70.19**
D.	**Exchange differences on translation of foreign currency cash and cash equivalents**	**(6.99)**	**(1.85)**	**(43.84)**	**43.28**	**9.23**
	Net Increase/(Decrease) in Cash and Cash equivalents during the period/year	(87.56)	56.67	13.81	372.08	(633.19)
	Cash and Cash equivalents at the beginning of the period/year	784.38	1,631.61	683.01	1,316.20	1,316.20
	Cash and Cash equivalents at the end of the period/year	**696.82**	**1,688.28**	**696.82**	**1,688.28**	**683.01**
	Supplementary Information					
	Cash and Bank Balances	4,005.23	3,483.78	4,005.23	3,483.78	3,991.42
	Less: Investment in Long Term Deposits with Scheduled Banks	3,308.41	1,795.50	3,308.41	1,795.50	3,308.41
	Balance considered for Cash Flow Statement	**696.82**	**1,688.28**	**696.82**	**1,688.28**	**683.01**
	The balance of Cash and Cash equivalents include amounts set aside for payment of dividends	18.86	10.93	18.86	10.93	6.33

Figures for the corresponding period/year have been regrouped, recast and rearranged to conform to those of the current period wherever necessary.

For and on behalf of the Board of Directors

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director & Sr. Vice President — Finance

G. Jayaraman
Sr. Vice President (Corp. Governance) & Company Secretary

Place : Secunderabad
Date : October 23, 2007

Exhibit 99.6

SATYAM COMPUTER SERVICES LIMITED

INDEX TO THE U.S. GAAP CONSOLIDATED FINANCIAL STATEMENTS

Satyam Computer Services Limited
Consolidated Balance Sheets
(Millions of US Dollars except per share data and as stated otherwise)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
ASSETS			
Current assets			
Cash and cash equivalents	$ 164.3	$ 363.0	$ 152.2
Investments in bank deposits	—	390.8	—
Accounts receivable, net of allowance for doubtful debts	451.1	256.8	364.2
Unbilled revenue on contracts	67.8	52.1	38.6
Deferred income taxes	21.2	17.3	17.1
Prepaid expenses and other receivables	85.9	62.4	37.1
Total current assets	**790.3**	**1,142.4**	**609.2**
Investments in bank deposits	832.3	—	767.6
Investments in associated companies	4.5	4.0	4.6
Premises and equipment, net	203.3	127.1	163.1
Goodwill, net	72.8	30.6	32.7
Intangible assets, net	6.9	8.4	7.4
Other assets	74.3	19.4	39.5
Total assets	**1,984.4**	**1,331.9**	**1,624.1**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term and current portion of long-term debt	23.4	8.1	12.1
0.05% Cumulative convertible redeemable preference shares, par value Rs.10 (US$0.25)* per share *(Nil shares as of September 30, 2007 and 2006 respectively and 45,505,000 shares as of March 31, 2007)*	—	—	13.6
Accounts payable	26.1	20.6	16.8
Accrued expenses and other current liabilities	201.5	147.3	148.6
Unearned and deferred revenue	35.2	16.7	20.1
Total current liabilities	**286.2**	**192.7**	**211.2**
Long-term debt, excluding current portion	24.7	21.3	22.2
Accrued benefit cost — Gratuity, excluding current portion	11.7	—	8.1
Deferred income taxes	10.8	9.3	11.6
Total liabilities	**333.4**	**223.3**	**253.1**
Contingencies and Commitments (*Note No.19)*			
Preferred Stock of Subsidiary			
0.05% Cumulative convertible redeemable preference shares, par value Rs.10 (US$0.25)* per share *(100 million preference shares authorized, Nil and 91,009,999 preference shares issued as of September 30, 2007 and 2006 (unaudited) respectively and Nil as of March 31, 2007)*	—	20.0	—
Shareholders' equity			
Common stock — par value Rs.2 (US$0.05)* per equity share (*800 million and 800 million equity shares authorized as of September 30, 2007 and 2006 (unaudited) respectively. 668,549,777 and 654,634,308 equity shares as of September 30, 2007 and 2006 (unaudited) respectively and 667,196,009 as of March 31, 2007*)	36.0	35.4	36.0
Additional paid-in capital	569.9	488.8	552.4
Shares subscribed but unissued	1.1	0.4	1.8
Retained earnings	867.7	580.3	721.1
Accumulated other comprehensive income/(loss)	177.5	(15.1)	60.9
	1,652.2	**1,089.8**	**1,372.2**
Shares held by the SC-Trust under associate stock option plan *(2,295,880 and 2,368,680 equity shares as of September 30, 2007 and 2006 respectively and 2,295,880 as of March 31, 2007)*	(1.2)	(1.2)	(1.2)
Total shareholders' equity	**1,651.0**	**1,088.6**	**1,371.0**
Total liabilities and shareholders' equity	**$ 1,984.4**	**$ 1,331.9**	**$ 1,624.1**

* *The par value in US$ has been converted at the closing rate as of September 30, 2007, 1US$ = Rs.39.75*

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Consolidated Statements of Income
(Millions of US Dollars except per share data and as stated otherwise)

	Six months ended September 30, 2007 (unaudited)	Six months ended September 30, 2006 (unaudited)	Year ended March 31, 2007
Revenues	$ 961.9	$ 674.5	$ 1,461.4
Cost of revenues *(Includes stock-based compensation of US$5.7 and US$6.7 for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$12.8 for the year ended March 31, 2007)*	(619.5)	(435.8)	(937.6)
Gross profit	**342.4**	**238.7**	**523.8**
Selling, general and administrative expenses *(Includes stock-based compensation of US$6.5 and US$0.4 for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$2.9 for the year ended March 31, 2007)*	(162.0)	(105.7)	(232.2)
Total operating expenses	**(162.0)**	**(105.7)**	**(232.2)**
Operating income	**180.4**	**133.0**	**291.6**
Interest income	33.2	12.8	37.3
Interest expense	(1.8)	(1.2)	(3.6)
Gain/(Loss) on foreign exchange transactions	(24.1)	12.7	(3.3)
Gain/(Loss) on foreign exchange forward and option contracts	33.8	(3.2)	6.2
Income before income taxes and equity in earnings/(losses) of associated companies	**221.5**	**154.1**	**328.2**
Income taxes	(26.5)	(13.5)	(30.6)
Income before equity in earnings/(losses) of associated companies	**195.0**	**140.6**	**297.6**
Equity in earnings/(losses) of associated companies, net of taxes	—*	0.4	0.8
Net income	**$ 195.0**	**$ 141.0**	**$ 298.4**
Earnings per share:			
Basic	$ 0.29	$ 0.22	$ 0.46
Diluted	$ 0.29	$ 0.21	$ 0.45
Weighted average number of shares used in computing earnings per share (in millions)			
Basic	665.5	650.1	652.5
Diluted	679.6	670.5	666.0

The accompanying notes form an integral part of these consolidated financial statements.

* Equity in earnings/(losses) of associated companies, net of taxes US$(21) thousand.

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Millions of US Dollars except per share data and as stated otherwise)

	Common Stock Shares	Par Value	Additional paid-in capital	Shares subscribed but unissued	Deferred stock-based compensation	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
Balance as of March 31, 2006	**648,899,078**	**$17.6**	**$465.1**	**$ 0.4**	**$(0.4)**	**$497.1**	**$15.8**	**$(1.2)**	**$ 994.4**
Net income	—	—	—	—	—	298.4	—	—	298.4
Other comprehensive income/(loss)									
Gain on foreign currency translation	—	—	—	—	—	—	46.3	—	46.3
Adjustments to initially adopt SFAS No. 158, net of tax	—	—	—	—	—	—	(1.2)	—	(1.2)
Total Comprehensive income									**343.5**
Issuance of common stock	18,296,931	0.7	64.1	(0.4)	—	—	—	—	64.4
Stock split (effected in the form of dividend)	—	17.7	—	—	—	(17.7)	—	—	—
Shares subscribed but unissued	—	—	—	1.8	—	—	—	—	1.8
Gain on dilution of interest in subsidiary company on its issuance of new shares, net of taxes (Refer note 4)	—	—	7.9	—	—	—	—	—	7.9
Reversal of Deferred stock based compensation on adoption of SFAS 123R	—	—	(0.4)	—	0.4	—	—	—	—
Stock-based compensation expense	—	—	15.7	—	—	—	—	—	15.7
Cash dividend paid at the rate of US$0.13 per share	—	—	—	—	—	(56.7)	—	—	(56.7)
Balance as of March 31, 2007	**667,196,009**	**$36.0**	**$552.4**	**$ 1.8**	**—**	**$721.1**	**$60.9**	**$(1.2)**	**$1,371.0**

The accompanying notes are an integral part of these consolidated financial statements.

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Millions of US Dollars except per share data and as stated otherwise)

	Common Stock Shares	Par Value	Additional paid-in capital	Shares subscribed but unissued	Retained earnings	Accumulated Other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
Balance as of March 31, 2007	**667,196,009**	**$36.0**	**$552.4**	**$ 1.8**	**$721.1**	**$ 60.9**	**$(1.2)**	**$1,371.0**
Net income	**—**	**—**	**—**	**—**	**195.0**	**—**	**—**	**195.0**
Other comprehensive income/(loss)								
Gain on foreign currency translation	—	—	—	—	—	118.0	—	118.0
Amortization of actuarial loss under SFAS No. 158, net of tax	—	—	—	—	—	(1.4)	—	(1.4)
Total Comprehensive income								**$ 311.6**
Issuance of common stock	1,353,768	—*	4.9	(1.8)	—	—	—	**3.1**
Shares subscribed but unissued	—	—	—	1.1	—	—	—	1.1
Gain on dilution of interest in subsidiary on its issuance of new shares, net of taxes	—	—	0.4	—	—	—	—	0.4
Stock-based compensation expense	—	—	12.2	—	—	—	—	12.2
Cash dividend paid at the rate of US$0.06 per share	—	—	—	—	(48.4)	—	—	(48.4)
Balance as of September 30, 2007	**668,549,777**	**$36.0**	**$569.9**	**$ 1.1**	**$867.7**	**$177.5**	**$(1.2)**	**$1,651.0**

The accompanying notes are an integral part of these consolidated financial statements.

* Par value of common stock issued US$23 thousand

Satyam Computer Services Limited
Consolidated Statements of Cashflows
(Millions of US Dollars except per share data and as stated otherwise)

	Six months ended September 30, 2007 (unaudited)	2006 (unaudited)	Year ended March 31, 2007
Cash Flows From Operating Activities			
Net income	$ 195.0	$ 141.0	$ 298.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangible assets	19.4	16.4	33.6
Stock-based compensation	12.2	7.1	15.7
Deferred income taxes	(4.1)	(5.9)	(6.7)
Loss on sale of premises and equipment	0.3	0.1	0.3
Equity in (earnings)/losses of associated companies, net of taxes	—*	(0.4)	(0.8)
Changes in assets and liabilities:			
Accounts receivable, net and unbilled revenue on contracts	(80.3)	(56.0)	(127.7)
Prepaid expenses and other receivables, net	(44.4)	(15.1)	13.4
Other assets, net	(30.1)	(2.0)	(17.5)
Accounts payable	7.7	8.9	3.8
Accrued expenses and other current liabilities	65.3	39.9	38.4
Unearned and deferred revenue	13.3	5.2	7.6
Other liabilities non-current	(16.0)	—	3.0
Net cash provided by operating activities	**138.3**	**139.2**	**261.5**
Cash Flows From Investing Activities			
Proceeds from maturity of bank deposits	—	—	408.0
Investment in bank deposits	—	—	(745.6)
Purchase of premises and equipment	(42.1)	(38.9)	(81.5)
Proceeds from sale of premises and equipment	0.6	0.2	0.5
Payment for purchase of Citisoft Plc, net of cash acquired	(7.4)	(3.3)	(3.3)
Payment for purchase of Knowledge Dynamics Pte. Ltd., net of cash acquired	(1.5)	(0.8)	(0.8)
Payment for acquisition of minority interest in Nipuna	(37.0)	—	—
Net cash used in investing activities	**(87.4)**	**(42.8)**	**(422.7)**
Cash Flows From Financing Activities			
Proceeds from short-term debt	16.8	1.4	10.9
Repayments of short-term debt	(7.3)	—	(4.7)
Proceeds from long-term debt	—	4.3	4.3
Repayment of long-term debt	(2.2)	(0.9)	(3.9)
Issuance of common stock	3.1	16.7	64.4
Shares subscribed but unissued	1.1	0.4	1.8
Redemption of preferred stock of subsidiary	(13.8)	—	—
Cash dividends paid	(48.4)	(40.1)	(56.7)
Net cash provided / (used in) by financing activities	**(50.7)**	**(18.2)**	**16.1**
Effect of exchange rate changes on cash and cash equivalents	11.9	(8.0)	4.5
Net change in cash and cash equivalents	**12.1**	**70.2**	**(140.6)**
Cash and cash equivalents at the beginning of the period	152.2	292.8	292.8
Cash and cash equivalents at the end of the period	**$ 164.3**	**$ 363.0**	**$ 152.2**

Supplementary information:			
Cash paid during the period for:			
Income taxes	$ 19.6	$ 14.9	$ 32.8
Interest	1.8	1.2	2.6
Non-cash items:			
Capital leases and hire purchase	$ 3.3	$ 1.2	$ 2.3
Deferred consideration for purchase of Citisoft Plc	—	5.9	5.9

The accompanying notes are an integral part of these consolidated financial statements.

* Equity in (earnings)/losses of associated companies, net of taxes US$21 thousand

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

1. Description of Business

Satyam Computer Services Limited, its consolidated subsidiaries and associated companies (hereinafter referred to as "*Satyam*") are engaged in providing Information Technology ("IT") services and Business Process Outsourcing ("BPO") services. Satyam Computer Services Limited (hereinafter referred to as "*Satyam Computer Services*") is an IT services provider that uses global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. Satyam Computer Services was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. Satyam Computer Services has offshore development centers located throughout India that enable it to provide high quality and cost-effective solutions to clients. It also has offsite centers located in the United States, United Kingdom, Japan, Australia, Singapore, Malaysia, Dubai, Germany, Canada, China, Hungary, Saudi Arabia and Brazil. Satyam offers a comprehensive range of IT services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. Satyam Computer Services has established a diversified base of corporate customers in a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Nipuna Services Limited ("Nipuna") a majority owned subsidiary of Satyam Computer Services is engaged in providing BPO services covering HR, Finance & Accounting, Customer Care (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

2. Summary of Significant Accounting Policies

a) Principles of Consolidation and Basis of Presentation

The consolidated financial statements of Satyam Computer Services and its majority owned domestic and foreign subsidiaries are prepared in accordance with generally accepted accounting principles applicable in the United States ("U.S. GAAP"). All significant inter-company balances and transactions are eliminated.

Minority interest in subsidiaries represents the minority shareholders' proportionate share of the net assets and the results of operations of Satyam's majority owned subsidiaries.

Satyam's investments in business entities in which it does not have control, but have the ability to exercise significant influence over operating and financial policies (generally 20-50 percent ownership), are referred to as associated companies and are accounted for by the equity method.

On occasion, a subsidiary or associated company accounted for by the equity method ("offering company") may issue its shares to third parties as either a public offering or private placement at per share amounts in excess of or less than Satyam's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in interest are recorded in additional paid-in capital. Gains or losses arising on the direct sales by Satyam of its investment in its subsidiaries or associated companies to third parties are recognized as income/(loss) in the statement of income. Such gains or losses are the difference between the sale proceeds and net carrying value of investments.

The excess of the cost over the underlying net equity of investments in subsidiaries and associated companies accounted for on equity basis is allocated to identifiable assets based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

b) Interim Information (unaudited)

Interim information presented in the consolidated financial statements has been prepared by the management without audit and in the opinion of management, includes all adjustments of a normal recurring nature that are necessary for the fair presentation of the balance sheets, statements of operations, statements of shareholders' equity and comprehensive income, and statements of cash flows for the periods shown in accordance with U.S. GAAP

c) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reported period. Examples of such estimates include: estimates of expected contract costs to be incurred to complete software development, allowance for doubtful debts, and future obligations under employee benefit plans, valuation allowances for deferred taxes, impairment of goodwill and useful lives of premises and equipment (fixed assets). Actual results could differ materially from those estimates.

d) Foreign Currency Translation

The accompanying consolidated financial statements are reported in U.S. dollars. The Indian rupee is the functional currency for Satyam Computer Services, its domestic subsidiaries and associated companies. However, the U.S. Dollar, Pound Sterling, Singapore Dollar and Renminbi are the functional currencies for its foreign subsidiaries located in U.S., UK, Singapore and China respectively. The translation of the functional currencies into U.S. dollars is performed for assets and liabilities using the current exchange rates in effect at the balance sheet date and for revenues, costs and expenses using average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income/ (loss), a separate component of shareholders' equity.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency at the exchange rates in effect at the balance sheet date. Revenues, costs and expenses are recorded using exchange rates prevailing on the date of transaction. Gains or losses resulting from foreign currency transactions are included in the statement of income.

e) Revenue Recognition

Revenues from IT services, which includes software development, system maintenance, package software implementation, engineering design services and e-Business consist of revenues earned from services performed either on a time-and-material basis or time bound fixed price engagements.

Revenues earned from services performed on a time-and-material basis are recognized as the services are performed. IT services performed on time bound fixed-price engagements; require accurate estimation of the costs which include salaries and related expenses of technical associates, related communication expenses, travel costs, scope and duration of each engagement. Revenue and the related costs for these projects are recognized on percentage of completion basis, with revisions to estimates reflected in the period in which changes become known. The use of the percentage of completion method reflects the pattern in which the obligations to the customer are fulfilled. Satyam has used an input-based approach since the input measures are a reasonable surrogate for output measures. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Revenues from BPO services consist of revenues from time-and-material services or time bound fixed price engagements. Revenues from time-and-material services are recognized as the services are performed. Revenues from BPO services are also on time bound fixed-price engagements, under which revenue is recognized using the percentage completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable and can be reasonably estimated.

Amounts included in the financial statements, which relate to recoverable costs and accrued profits not yet billed on contracts, are classified in current assets as "Unbilled revenue on contracts". Billings on uncompleted contracts in excess of accrued cost and accrued profit are classified in current liabilities under the heading "Unearned and deferred revenue". Satyam provides its clients with one to three months' warranty as post-sale support for its fixed price engagements. Satyam has not provided for any warranty costs for the three months ended June 30, 2007 and 2006 (unaudited) and for the year ended March 31, 2007 as historically Satyam has not incurred any expenditure on account of warranties and since the customer is required to formally sign off on the work performed, any subsequent work is usually covered by an additional contract.

In accordance with Emerging Issues Task Force (EITF) 01-14 (formerly Topic D-103), "Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred", Satyam has accounted for reimbursements received for out-of-pocket expenses incurred as revenues in the statement of income.

f) Cash and Cash Equivalents

Satyam considers all highly liquid investments with an original maturity or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates their fair value due to the short maturity of the investments. Cash and claims to cash that are restricted as to withdrawal or use in the ordinary course of business are classified as other receivables under current assets, unless they are to be utilized for other than current operations in which case they are classified as other assets, non-current.

g) Premises, Equipment and Depreciation

Premises and equipment are stated at actual cost less accumulated depreciation. Assets under capital leases are stated at the present value of minimum lease payments. Depreciation is computed using the straight-line method over the estimated useful lives. Assets under capital leases and leasehold improvements are amortized straight-line

over their estimated useful life or the lease term, as appropriate. Costs of application software for internal use are generally charged to income as incurred due to its estimated useful lives being relatively short, usually less than one year.

The cost and the accumulated depreciation for premises and equipment sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the statement of income. Interest related to the construction of qualifying assets is capitalized. Advances paid towards the acquisition of premises and equipment outstanding at each balance sheet date and the cost of premises and equipment not put to use before such date are disclosed as Assets under Construction.

h) Research and development Costs

Research and development costs are expensed as incurred and amounted to US$0.2 million and US$0.2 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$0.4 million for the year ended March 31, 2007.

i) Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. Effective April 1, 2002, Satyam adopted provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" which sets forth the accounting for goodwill and intangible assets subsequent to their acquisition. Goodwill is tested annually for impairment, or sooner when circumstances indicate an impairment may exist, using a fair-value approach at the reporting unit level. Satyam follows the two-step impairment recognition and measurement guidance in accordance with SFAS 142.

Satyam amortizes other intangible assets over their estimated useful lives on a straight-line basis unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows, and, if impaired, written down to fair value based on either discounted cash flows or appraised values.

j) Impairment of Long-lived Assets

Satyam accounts for impairment of long-lived assets in accordance with the provisions of SFAS 144 "*Accounting for the Impairment or Disposal of Long-Lived Assets*". Satyam reviews long-lived assets, for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. Each impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset to its recorded value. If impairment is indicated, the asset is written down to its fair value. Assets to be disposed are reported at the lower of the carrying value or the fair value less cost to sell.

k) Investments

Satyam accounts for investments in accordance with the provisions of SFAS 115, *"Accounting for Certain Investments in Debt and Equity Securities"*. Other investments that are not marketable are carried at cost, subject to tests of other than temporary impairment.

l) Cost of Revenues and Selling, General and Administrative Expenses

Cost of revenues primarily include the compensation cost of technical staff, depreciation on dedicated assets and system and application software costs, amortization of intangibles, travel costs, data communication expenses and other expenses incurred that are related to the generation of revenue.

Selling, general and administrative expenses generally include the compensation costs of sales, management and administrative personnel, travel costs, advertising, business promotion, depreciation on assets, rent, repairs, electricity and other general expenses not attributable to cost of revenues.

m) Advertising Costs

Satyam expenses all advertising costs as incurred. Advertising costs charged to income amounted to US$0.9 million and US$0.6 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$1.0 million for the years ended March 31, 2007.

n) Employee Benefits

i) Provident Fund

In accordance with Indian law, employees are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees' basic salary. Satyam has no further obligations under the plan beyond its monthly contributions. These contributions are made to the fund administered and managed by the Government of India. Satyam's monthly contributions are charged to income in the period they are incurred.

ii) Gratuity Plan

Satyam has a defined benefit retirement plan (the "Gratuity Plan") covering all its employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and years of employment with Satyam.

Satyam provides for the Gratuity Plan on the basis of actuarial valuation. The entire Gratuity Plan of Satyam Computer Services and Nipuna is unfunded.

Effective March 31, 2007, Satyam adopted the provisions of SFAS No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)". The provisions of SFAS No. 158 were adopted pursuant to the transition provisions therein. Accordingly, Satyam has recognized unrecognized actuarial losses as a liability with corresponding adjustment to accumulated other comprehensive income (net of tax), a separate component of shareholders' equity.

The funded status of the company's retirement-related benefit plans is recognized in the Consolidated Balance Sheet. The funded status is measured as the difference between the fair value of plan assets and the projected benefit obligation at March 31, the measurement date. The current portion of the benefit obligation represents the actuarial present value of benefits payable in the next 12 months exceeding the fair value of plan assets. This liability is recorded in Accrued Expenses and Other Current Liabilities in the Consolidated Balance Sheet.

(Gains)/losses not recognized as a component of net periodic gratuity cost/(income) in the Consolidated Statement of Income as they arise are recognized as a component of other comprehensive income in the Consolidated Statement of Stockholders' Equity, net of tax. Those (gains)/losses are subsequently recognized as a component of net periodic gratuity period cost/(income) pursuant to the recognition and amortization provisions of applicable accounting standards. (Gains)/losses arise as a result of differences between actual experience and assumptions or as a result of changes in actuarial assumptions. Net periodic gratuity cost/(income) is recorded in the Consolidated Statement of Income and includes service cost, interest cost, expected return on plan assets, amortization of prior service cost and (gains)/losses previously recognized as a component of Other Comprehensive Income.

iii) Superannuation Plan

In addition to the above benefits, the senior employees of Satyam Computer Services in India are entitled to receive benefits under the Superannuation Plan, a defined contribution plan. Satyam Computer Services makes yearly contributions under the Superannuation plan administered and managed by LIC, based on a specified percentage (presently 10.0%) of each covered employee's basic salary. Satyam Computer Services has no further obligations under the plan beyond its contributions.

iv) Other Benefit Plans

Satyam maintains a 401(k) retirement plan (the "401(k) Plan") covering all its employees in the United States. Each participant in the 401(k) Plan may elect to contribute up to 15.0% of his or her annual compensation to the 401(k) Plan. Satyam matches 50.0% of employee contributions, subject to a maximum of 3.0% of gross salary for all employees participating in the 401(k) plan. Effective October 1, 2003, Satyam Computer Services has discontinued its matching contribution under this plan.

o) Income Taxes

In accordance wit h the provisions of SFAS 109, *"Accounting for Income Taxes"*, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of enactment. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

Effective April 1, 2007, Satyam adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 ("FIN 48"). The Interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

p) Earnings Per Share

In accordance with the provisions of SFAS 128, *"Earnings Per Share"*, basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the "treasury stock" method for options and warrants, except where the results will be anti-dilutive.

q) Stock-Based Compensation

Effective April 1, 2006, Satyam adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). Prior to the adoption of SFAS 123R, Satyam recognized stock-based compensation using the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees"*, and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25,* issued in March 2000 to account for its employee stock-based compensation plan. Satyam has therefore adopted the pro-forma disclosure requirements of SFAS No. 123, *"Accounting for Stock-Based Compensation"* and SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123*. Pursuant to SFAS No. 123, all equity instruments issued to non-employees are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. In March 2005, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin No.107 ("SAB 107") regarding the SEC's interpretation of SFAS 123R and the valuation of share-based payments for public companies. Satyam has applied the provisions of SAB 107 in its adoption of SFAS 123R.

Satyam adopted SFAS 123R using the modified prospective transition method, which required the application of the accounting standard as of April 1, 2006, the first day of Satyam's fiscal year 2007. Under this transition method, stock-based compensation expensed for the year ended March 31, 2007 includes a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123") and b) Stock-based compensation expenses for all stock-based compensation awards granted after April 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

r) Derivative financial instruments

Satyam has adopted the provisions of SFAS 133, "*Accounting for Derivative Instruments and Hedging Activities*" as amended. Satyam enters into foreign exchange forward and options contracts where the counter party is generally a bank. Satyam purchases foreign exchange forward and options contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in certain foreign currencies. These contracts do not qualify for hedge accounting under SFAS 133, as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS 133, as amended is marked to market and recognized in earnings immediately.

s) Recently issued accounting pronouncements

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commencing April 1, 2008 for us. We are in the process of evaluating the impact SFAS 157 will have on our financial position, results of operations, liquidity and its related disclosures.

In February 2007, the FASB issued FASB Statement 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 allows the company to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commencing April 1, 2008 for us. We are in the process of evaluating the impact SFAS 159 will have on our financial position, results of operations, liquidity and its related disclosures.

t) Reclassifications

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current period's presentation.

3. Acquisitions

a) Citisoft Plc.

On May 12, 2005, Satyam Computer Services acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry since 1986. The results of Citisoft's operations have been consolidated by Satyam Computer Services from the consummation date of May 12, 2005. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for the 75% equity interest in Citisoft amounted to US$17.4 million comprising of an initial consideration of US$14.3 million (including direct acquisition costs of US$0.9 million) and deferred consideration (non-contingent) of US$3.1 million. Deferred consideration for the acquisition of the 75% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2006 this has been paid subsequently in June 2006. Satyam Computer Services was also required to pay a maximum earn out consideration amounting to US$3.9 million in May 2007 based on achievement of targeted revenues and profits for the year ended April 30, 2007. Since the revenue and profit targets have not been achieved, the earn out consideration is not payable.

Satyam Computer Services had a call option and the minority shareholders had a put option to acquire / sell the balance 25% equity shares in two tranches 12.5% on April 30, 2007 and 12.5% on April 30, 2008. The consideration payable for the first tranche of 12.5% equity shares on April 30, 2007 would amount to US$2.8 million and a maximum earn-out consideration amounting to US$2.7 million based on achievement of targeted revenues and profits. The consideration payable for the second tranche of 12.5% equity shares on April 30, 2008 would amount to US$2.9 million and a maximum earn-out consideration amounting to US$4.2 million based on achievement of targeted revenues and profits. Satyam Computer Services recorded the put option at fair value at each balance sheet date, with the initial fair value of the put option included as part of the consideration for its 75.0% interest in Citisoft. The difference between the fair values at each valuation date was charged to selling, general and administration expenses in statement of income. On the basis of an independent valuation, the value of put option was US$Nil and US$1.1 million as of May 12, 2005 and March 31, 2006 respectively.

On June 29, 2006, Satyam Computer Services exercised the call option and acquired the remaining 25% equity interest for a deferred consideration of US$3.2 million and US$3.3 million payable on April 30, 2007 and 2008 respectively and a maximum earn-out consideration of US$2.7 million and US$4.2 million payable in May 2007 and 2008 respectively based on achievement of targeted revenues and profits for the years ended April 30, 2007 and 2008 respectively. As a result Satyam reversed the put option liability during the year ended March 31, 2007. The acquisition was accounted for as a step purchase of the 25% equity interest, the deferred consideration for the acquisition of the 25% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2007. The deferred consideration of US$3.2 million payable on April 30, 2007 has been paid during the three months ended June 30, 2007. Since the revenue and profit targets have not been achieved, the 2007 earn out consideration is not payable.

Satyam Computer Services is also required to fund an Employee Benefit Trust ("EBT") formed by Citisoft for the purpose of providing additional incentive to employees to contribute to the success of Citisoft. Satyam was required to fund a maximum of US$3.4 million and US$1.8 million on April 30, 2007 and 2008 respectively, based on achievement of targeted revenues and profits. Satyam Computer Services paid an amount of US$2.0 million towards EBT contribution in April 2007.

On June 29, 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders. As per the amendment agreement, Satyam Computer Services is required to pay in July 2007, US$3.5 million to the selling shareholders in lieu of the 2008 deferred and earn out consideration and US$0.2 million towards EBT contribution in lieu of the 2008 EBT contribution. Satyam had accounted for the deferred consideration of US$3.3 million as part of purchase consideration and disclosed it as a current liability. Satyam has now accounted for US$0.4 million in the consolidated statement of income for the three months ended June 30, 2007 as part of cost of revenues and disclosed it as a current liability as of June 30, 2007. The deferred consideration of US$3.7 million payable in July 2007, has been paid during three months ended September 30, 2007.

The purchase consideration for acquisition of interest has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

(US$ in millions)

	Acquisition of 75% interest	Acquisition of 25% interest
Purchase price	**$ 17.4**	**$ 5.9**
Allocated to:		
Net current assets	$ 2.2	0.7
Tangible assets	0.3	0.1
Customer Contracts related intangibles	0.8	0.3
Customer relationship related intangibles	5.4	0.7
Trade name	0.7	0.1
Goodwill	10.3	4.4
Deferred tax liability	(2.3)	(0.4)
Total	**$ 17.4**	**$ 5.9**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

b) Knowledge Dynamics Pte Ltd ("Knowledge Dynamics").

On July 21 2005, Satyam Computer Services announced its intention to acquire 100% of the shares of Knowledge Dynamics Pte Ltd, Singapore, ("Knowledge Dynamics"), a leading Data Warehousing and Business Intelligence Solutions provider. The transaction was consummated on October 1, 2005, the date of transfer of shares to Satyam Computer Services and Satyam Computer Services has consolidated Knowledge Dynamics Pte Ltd, Singapore, from October 1, 2005. The acquisition has been accounted for by following the purchase method of accounting. The consideration for this acquisition amounted to US$3.3 million comprising of initial consideration of US$1.8 million (including direct acquisition costs of $11 thousand) and deferred consideration (non-contingent) of US$1.5 million. The total deferred consideration for the acquisition of US$1.5 million has been accounted for as part of the purchase consideration out of which US$0.8 million has been paid during the year ended March 31, 2007 and US$0.7 million has been disclosed as a current liability in the consolidated balance sheet as of March 31, 2007 and has been subsequently paid in April 2007. Satyam Computer Services was also required to pay a maximum earn out consideration amounting to US$1.1 million and US$1.1 million on April 30, 2007 and 2008 respectively based on the achievement of targeted revenues and profits from the date of acquisition upto April 30, 2007 and 2008 respectively. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved. Since the revenue and profit targets have not been achieved, the 2007 earn out consideration is not payable. During the three months ended June 30, 2007, Satyam Computer Services paid an amount of US$0.8 million towards deferred consideration payable in April 2007.

On July 19, 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders. As per the amendment agreement, Satyam Computer Services is required to pay US$0.7 million to the selling shareholders in July 2007 and deferred payment of US$0.2 million and a maximum earn out consideration of US$0.5 million payable in May 2008 in lieu of 2008 earn out consideration. The earn out consideration is payable based on achievement of targeted revenues. Satyam has accounted for US$0.9 million in the consolidated statement of income as part of cost of revenues and US$0.7 million has been paid in the six months ended September 30, 2007. The deferred payment of US$0.2 million payable in May 2008 was disclosed as a current liability in the consolidated balance sheet. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

		US$ in millions
Purchase price	**$**	**3.3**
Allocated to:		
Net current assets	$	0.5
Customer Contracts and Related Relationships		1.0
Trade name		0.1
Goodwill		2.1
Deferred tax liability		(0.4)
Total	**$**	**3.3**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

c) Acquisition of Minority interests in Nipuna

On August 14, 2007, in accordance with the share purchase agreement, Satyam Computer Services acquired the 19.5% equity shares of Nipuna for a consideration of US$34.9 million. The acquisition has been accounted using the purchase method and the purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition, on a preliminary basis based on management's estimates. The finalization of the purchase price allocation, which is expected to be completed within one year from the date of the acquisition, will result in adjustments to the purchase price allocation. The preliminary allocation of the purchase price resulted in goodwill of US$34.9 million. The goodwill has been allocated to the BPO segment.

On August 27, 2007 an Employee Stock Option Exercises and Share Transfer Agreement was entered into between Satyam Computer Services, Nipuna and certain employees of Nipuna holding Nipuna-ESOP. Satyam Computer Services has acquired 286,952 shares at US$7.2 per share. Since the award is cash settled at its current fair value as of the settlement date no incremental compensation cost has been recognized. The acquisition has been accounted for using the purchase method and the purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition, on a preliminary basis based on management's estimates. The finalization of the purchase price allocation, which is expected to be completed within one year from the date of the acquisition, will result in adjustments to the purchase price allocation. The preliminary allocation of the purchase price resulted in goodwill of US$2.1 million. The goodwill has been allocated to the BPO segment.

Due to the above transaction Satyam Computer Services' ownership interest in Nipuna was increased to 95.1% as at September 30, 2007 from 74.0% as at March 31, 2007.

4. Preferred Stock of Subsidiary

Nipuna issued 45,669,999 and 45,340,000 0.05% convertible redeemable cumulative preference shares of par value Rs 10 (US$0.23) per share in October 2003 and June 2004 respectively to the investors at an issue price of Rs.10 (US$0.23) per share, in exchange for an aggregate consideration of US$20 million.

As per the agreement, these preference shares were mandatorily convertible into equity shares of Nipuna no later than June 2006, if Nipuna achieved certain targets for revenues and profits earned up to March 31, 2006. If these targeted revenues and profits were not achieved by Nipuna along with other triggering events, the investors had an option to either redeem these preference shares or convert them. Although certain triggering events for early redemption as per the agreement occurred during the period January 2004 to December 2004 the investors waived the right of early redemption. Further Nipuna has not achieved the targeted revenues and profits upto March 2006.

If not converted, early converted or redeemed, these convertible preference shares were redeemable on maturity in June 2007 at a redemption premium, which could range between 7.5% to 13.5% p.a. The Investors are entitled to receive dividends at the rate of 0.05% per cent per annum, on the face value of Rs. 10 (US$0.23) from the date of issuance of such Preference Shares. The dividends are cumulative and payable in cash at the rate indicated above, whether or not they have been declared and whether or not there are profits, surplus or other funds of Nipuna legally available for the payment of dividends. These preference shares rank senior to all classes of Nipuna's currently existing capital stock or established subsequently with respect to dividend distributions and repayment of capital and premium upon a Bankruptcy Event or Change in Control with respect to Nipuna, unless the terms and conditions of such class expressly provide that such class will rank senior to or on parity with the convertible redeemable cumulative preference shares. The dividend on the preference shares for the period ended June 30, 2007 is payable.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement ("SPRA Agreement") was entered into between Satyam, the Investors and Nipuna. Out of the total preference shares, 50% of the preference shares (US$10 million) would be redeemed for US$13.6 million at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. Since 50% of the Preference Shares are mandatorily redeemable, Satyam has reclassified 50% of the preference shares as a current liability measured at fair value and accrued redemption premium amounting to US$3.6 million up to March 31, 2007. The 50% preference shares have been redeemed in August 2007 for US$13.8 million.

Further as per the SPRA Agreement, Satyam agrees to purchase and the Investors agree to sell these equity shares at an aggregate purchase price based on a formula. If the share purchase closing occurs on or before the share purchase target date (May 21, 2007) then the purchase price would range from a minimum of US$35 million to maximum of US$45 million, however if an acceleration event occurs the purchase price would equal US$45 million. If the share purchase closing occurs after the share purchase target date then the purchase price shall not be less than US$35 million however if an acceleration event occurs the purchase price shall not be less than US$45 million. This is subject to fulfillment of terms and conditions specified in the agreement and obtaining necessary approvals from appropriate authorities. As of March 31, 2007 an acceleration event has occurred.

The forward contract is freestanding and has been accounted for under SFAS 150 and hence the issuance of Nipuna's equity shares has been considered as a minority interest. The Investors gave Nipuna a Notice of Conversion of Preference Shares and in January 2007 preference shares amounting to US$10 million have been converted into 6,422,267 equity shares of Nipuna. Due to the issue of shares by Nipuna Satyam Computer Services' ownership interest in Nipuna was reduced from 100.0% as at March 31, 2006 to 74.0% as at March 31, 2007. The shares issued to the Investors are at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of US$7.9 million, net of taxes during the year ended March 31, 2007 has been recorded as an increase in additional paid in capital. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam's consolidated statement of income. The Investors holding in Nipuna has been accounted for as a minority interest.

The forward contract has a zero fair vale at inception and at balance sheet date since as per regulatory requirements the transaction can take place only at fair value. Upon settlement of the forward the acquisition of the minority interest would be reflected as a step acquisition with a corresponding reduction in minority interest.

5. Investments

Investments of Satyam consist of other non-marketable securities.

(US$ in millions)

	As of September 30,		As of March 31,
	2007 (unaudited)	2006 (unaudited)	2007
Other investments, at cost	$ **3.9**	$ 3.5	$ 3.7
Less: Provision for impairment	(3.9)	(3.5)	(3.7)
Investments — Non current	—	—	—

Satyam records an investment impairment charge on other non-marketable investments, which are carried at cost, when management believes an investment has experienced a decline in value that is judged to be other than temporary. Satyam monitors its investments for impairment by considering current factors including economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the investment. Based on its assessment of its carrying values of investments, Satyam impaired the entire carrying value of other non-marketable investments as of March 31, 2003 due to adverse changes in the above factors.

6. Investments in bank deposits

Investments in bank deposits represent term deposits placed with banks earning fixed rate of interest. Investments in bank deposits with maturities of less than a year are disclosed as current assets and with maturities of more than one year as non current. Interest on investments in bank deposits is recognized on accrual basis. Investments in bank deposits amounted to US$832.3 million, US$390.8 million and US$767.6 million as of September 30, 2007, 2006 (unaudited) and March 31, 2007 respectively with maturities of more than one year (as of September 30, 2007).

7. Investments in associated companies

The carrying values of investments in various associated companies of Satyam are as follows:

(US$ in millions)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
Satyam Venture	$ 3.4	$ 3.3	$ 3.5
CA Satyam	1.1	0.7	1.1
Total	**$ 4.5**	**$ 4.0**	**$ 4.6**

Satyam Venture

On October 28, 1999, Satyam Computer Services entered into an agreement with Venture Industries, USA ("Venture") to form an equally held joint venture company Satyam Venture Engineering Services Private Limited. ("Satyam Venture"). Satyam Computer Services holds 50% in Satyam Venture. The joint venture was formed on January 3, 2000 at Hyderabad, India. Satyam Venture is engaged in providing engineering solutions, software development and customization services specifically for the automotive industries worldwide. Satyam Computer Services' equity in the profit / (losses) of Satyam Venture, net of taxes amounted to US$(36) thousand and US$0.4 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$0.6 million for the year ended March 31, 2007. (Also refer note 19(e)).

CA Satyam

On December 29, 2000, Satyam Computer Services entered into an agreement with Computer Associates International, Inc. ("CA") to form an equally held joint venture company CA Satyam ASP Private Limited ("CA Satyam"). Satyam Computer Services holds 50% in CA Satyam. The joint venture was formed in January 2001, at Mumbai, India. As per the agreement, both Satyam Computer Services and CA have invested US$1.5 million each in the joint venture. Satyam Computer Services equity in the profit of CA Satyam, net of taxes amounted to US$15 thousand and US$41 thousand for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$0.2 million for the year ended March 31, 2007.

8. Premises, Equipment and Depreciation

Premises and equipment at cost less accumulated depreciation consist of:

(US$ in millions)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
Freehold land	$ 9.6	$ 8.3	$ 8.9
Leasehold land	2.2	1.8	1.9
Premises	30.5	22.9	24.5
Computers including servers	151.9	115.8	131.2
System software	28.6	21.6	24.7
Office equipment	83.5	62.3	69.0
Furniture and fixtures	58.3	40.8	47.4
Vehicles	11.9	7.6	9.0
Assets under construction	88.0	40.6	70.8
Total	**464.5**	**321.7**	**387.4**
Less: Accumulated depreciation	(261.2)	(194.6)	(224.3)
Premises and equipment, net	**203.3**	**$ 127.1**	**$ 163.1**

Satyam has established the estimated useful lives of assets for depreciation purposes as follows:

Premises	28 years
Computers including servers	2 –5 years
System Software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation expense amounted to US$18.9 million and US$15.9 million for the six months ended September 30, 2007 and 2006 respectively and US$32.4 million for the year ended March 31, 2007.

9. Goodwill

Goodwill consists of:

(US$ in millions)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
Goodwill			
Acquisition of Citisoft Plc	$ 15.6	$ 14.0	$ 15.0
Acquisition of Knowledge Dynamics Pte Ltd	2.3	2.0	2.1
Acquisition of minority interest in			
Satyam Enterprise Solutions Limited	25.9	22.4	23.9
Satyam Technologies Inc.	4.0	3.4	3.7
Nipuna Services Limited	37.9	—	—
Total	**85.7**	**41.8**	**44.7**
Less: Accumulated amortization	(12.9)	(11.2)	(12.0)
Goodwill, net	**$ 72.8**	**$ 30.6**	**$ 32.7**

The following table presents the reconciliation of changes in carrying values of goodwill:

(US$ in millions)

	Six months ended September 30, 2007 (unaudited)	Six months ended September 30, 2006 (unaudited)	Year ended March 31, 2007
Goodwill at the beginning of the period	**$ 32.7**	**$ 27.6**	**$ 27.6**
Acquisitions during the period	37.0	3.9	4.4
Change due to foreign exchange	3.1	(0.9)	0.7
Goodwill at the end of the period	**$ 72.8**	**$ 30.6**	**$ 32.7**

Goodwill represents the excess of amount paid towards purchase price over the fair value of assets acquired, and relates to the acquisition of the minority interest in Satyam Enterprise Solutions Limited, Satyam Technologies Inc., and Nipuna Services Limited and acquisition of Citisoft Plc. and Knowledge Dynamics Pte Ltd., by Satyam Computer Services. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may not be recoverable as provided under FAS 142.

10. Intangible assets, net

Intangible assets consist of:

(US$ in millions)

		As of September 30, 2007 (unaudited)			As of September 30, 2006 (unaudited)			As of March 31, 2007		
Acquired and amortized intangible assets	**Weighted average life (in years)**	**Gross Carrying amount**	**Accumulated amortization**	**Net intangible assets**	**Gross carrying amount**	**Accumulated Amortization**	**Net intangible assets**	**Gross carrying amount**	**Accumulated amortization**	**Net intangible assets**
Citisoft Plc										
Customer Relationship	8	$6.6	$(1.8)	$4.8	$6.8	$(1.0)	$5.8	$6.3	(1.4)	$4.9
Customer Contracts	6	1.2	(0.5)	0.7	1.0	(0.2)	0.8	1.1	(0.2)	0.9
Trade name	5	0.8	(0.4)	0.4	0.8	(0.1)	0.7	0.8	(0.2)	0.6
Total		**$8.6**	**$(2.7)**	**$5.9**	**$8.6**	**$(1.3)**	**$7.3**	**$8.2**	(1.8)	**$6.4**
Knowledge Dynamics										
Customer Contracts and Related Relationships	9	$1.1	$(0.3)	$0.8	$1.0	$(0.1)	$0.9	$1.1	$(0.3)	$0.8
Trade name	3	0.1	—	0.1	0.1	—	0.1	0.1	—	0.1
Internally developed technology	3	0.1	—	0.1	0.1	—	0.1	0.1	—	0.1
Total		**$1.3**	**$(0.3)**	**$1.0**	**$1.2**	**$(0.1)**	**$1.1**	**$1.3**	**$(0.3)**	**$1.0**

During the year Satyam has not recognized any impairment of other intangible assets. Satyam has adopted the provisions of SFAS No. 141 and 142, and has accordingly assessed the remaining useful lives of identified intangibles with definite useful lives and provides for amortization over the determined useful life of the asset. Satyam does not have any intangible assets with indefinite useful life.

The following table presents the reconciliation of changes in carrying values of other intangible assets:

(US$ in millions)

	Six months ended September 30, 2007 (unaudited)	Six months ended September 30, 2006 (unaudited)	Year ended March 31, 2007
Identifiable intangibles at the beginning of the period	**$ 7.4**	**$ 6.6**	**$ 6.6**
Acquisitions during the period	—	1.8	1.1
Amortization during the period	(0.6)	(0.6)	(1.2)
Change due to foreign exchange	0.1	0.6	0.9
Identifiable intangibles at the end of the period	**$ 6.9**	**$ 8.4**	**$ 7.4**

The expected future annual amortization expense of other intangible assets is as follows:

	US$ in millions
Estimated amortization expense:	
For the year ended March 31,	
2008	$ 0.7
2009	1.4
2010	1.3
2011	1.2
2012	1.0
Beyond 2012	1.3

11. Income Taxes

The income tax expense consists of:

(US$ in millions)

	Six months ended September 30, 2007 (unaudited)	Six months ended September 30, 2006 (unaudited)	Year ended March 31, 2007
Foreign taxes			
Current	$ 5.8	$ 11.7	$ 10.4
Deferred	(0.9)	(0.2)	(0.7)
Domestic taxes			
Current	24.8	7.7	26.9
Deferred	(3.2)	(5.7)	(6.0)
Aggregate taxes	**$ 26.5**	**$ 13.5**	**$ 30.6**

A reconciliation of the income tax expense to the amount computed by applying the statutory income tax rate to income before income tax expense is summarized below:

(US$ in millions)

	Six months ended September 30, 2007 (unaudited)	Six months ended September 30, 2006 (unaudited)	Year ended March 31, 2007
Net income before taxes	**$ 221.5**	**$ 154.1**	**$ 328.2**
Enacted tax rates in India	33.99%	33.66%	33.66%
Computed tax expense	**$ 75.3**	**$ 51.8**	**$ 110.5**
Tax effect due to non-taxable export income	(54.1)	(48.5)	(98.4)
Difference arising from different tax rates in other tax jurisdictions	1.6	4.6	12.0
Stock- based compensation (non-deductible)	0.5	2.4	4.0
Changes in valuation allowance, including losses of subsidiaries	0.1	1.5	1.7
Effect of tax rate change	(0.1)	—	—
Others	3.2	1.7	0.8
Income taxes recognized in the statement of income	**$ 26.5**	**$ 13.5**	**$ 30.6**

The current provision for income taxes, net of payments, were US$29.9 million and US$12.8 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$15.5 million for the year ended March 31, 2007. The foreign taxes are due to income taxes payable in overseas tax jurisdictions by its offsite and onsite centers, principally in the United States. Satyam Computer Services benefits from tax incentive provided to software entities as an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operations of software development facilities designated as "Software Technology Parks" ("STP units"). The benefit of this tax incentive has historically resulted in an effective tax rate for Satyam Computer Services well below statutory rates. In case of Satyam Computer Services for various registered STP units these exemptions expire starting from fiscal 2006 through fiscal 2009. Satyam Computer Services subsidiaries are subject to income taxes of the countries in which they operate.

Satyam has not recognized deferred income taxes arising on income of Satyam Computer Services due to the tax benefit available to it in the form of a exemption from taxable income, except to the extent of timing differences which reverse after the tax holiday period or unless they reverse under foreign taxes. However, Satyam Computer Services earns certain other income and domestic income, which are taxable irrespective of the tax holiday as stated above.

Significant components of activities that gave rise to deferred tax assets and liabilities included in the financial statements are as follows:

(US$ in millions)

	As of September 30,		As of March 31,
	2007 (unaudited)	2006 (unaudited)	2007
Deferred tax assets:			
Operating loss carry forwards	$ 29.0	$ 24.7	$ 26.6
Provision for accounts receivable, advances and investments	4.3	5.5	4.2
Premises and equipment	4.1	0.5	3.3
Provision for gratuity and unutilized leaves	16.8	11.8	12.8
Gross deferred tax assets	**$ 54.2**	**$ 42.5**	**46.9**
Less: Valuation allowance	(29.0)	(24.7)	(26.6)
Total deferred tax assets	**$ 25.2**	**$ 17.8**	**20.3**
Deferred tax liabilities:			
Premises and equipment	(5.4)	(6.1)	(6.3)
Provision for accounts receivable and advances	(3.3)	(2.7)	(3.0)
Intangible assets	(2.3)	(2.8)	(2.5)
Investments in associated companies and gain on dilution	(0.6)	(0.4)	(2.8)
Total deferred tax liabilities	**(11.6)**	**(12.0)**	**(14.6)**
Net deferred tax assets/ (liabilities)	**$ 13.6**	**$ 5.8**	**$ 5.7**

Satyam has not provided for any deferred income taxes on undistributed earnings of foreign subsidiaries due to the losses incurred by them since their inception. These losses aggregated to approximately US$40.9 million and US$38.5 million as of September 30, 2007 and 2006 (unaudited) respectively and US$39.8 million as of March 31, 2007.

Operating loss carry forwards for tax purposes of Satyam amounts to approximately US$29.0 million and US$24.7 million as of September 30, 2007 and 2006 (unaudited) respectively and US$26.6 million as of March 31, 2007 and are available as an offset against future taxable income of such entities. These carry forwards expire at various dates primarily over 8 to 20 years. Realization is dependent on such subsidiaries generating sufficient taxable income prior to expiration of the loss carry forwards. A valuation allowance is established attributable to deferred tax assets and loss carry forwards in subsidiaries where, based on available evidence, it is more likely than not that they will not be realized. Currently, a full valuation allowance has been made for such losses since we believe that our subsidiaries will not generate sufficient taxable income prior to expiration of carry forwards and under Indian regulations we are not allowed to file a consolidated tax return.

Net deferred tax asset/ (liabilities) included in the consolidated balance sheets are as follows:

(US$ in millions)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
Current assets — deferred income taxes	$ 21.1	$ 17.3	$ 17.1
Non-current assets — other assets*	4.1	0.5	3.3
Current liabilities — accrued expenses and other liabilities*	(3.3)	(2.7)	(3.1)
Long-term liabilities — deferred income taxes	(8.3)	(9.3)	(11.6)
Net deferred tax asset/ (liabilities)	**$ 13.6**	**$ 5.8**	**$ 5.7**

* *Included in "other assets" and "accrued expenses and other liabilities" respectively.*

12. Borrowings

Short-term debt

Short-term debt amounted to US$21.1 million and US$5.3 million as of September 30, 2007 and 2006 (unaudited) respectively and US$10.5 million as of March 31, 2007. Short-term debt represents overdraft facility of Nipuna at floating rate of interest of LIBOR+0.25% which is secured by a charge on book debts, accounts receivable and other moveable assets. The weighted-average interest rate on this borrowing was 8.18% and 5.68% for six months ended September 30, 2007 and 2006 (unaudited) respectively and 6.71 %for the year ended March 31, 2007.

Long-term debt

Long-term debt outstanding comprise of:

(US$ in millions)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
Secured debts, representing obligation principally to banks and financial institutions			
- 10.25% Rupee loans of SC-Trust, maturing serially through fiscal 2008	—	$ 1.3	—
- 0.95% above 6 month LIBOR working capital term loan maturing serially through fiscal 2009	$ 10.9	9.5	$ 10.0
- 0.95% above 6 month LIBOR external commercial borrowing maturing serially through fiscal 2009	10.4	10.5	10.6
Hire Purchase Loans	5.7	2.8	3.2
Total Debt	**27.0**	**24.1**	**23.8**
Less: Current portion of long-term debt	(2.3)	(2.8)	(1.6)
Long-term debt, net of current portion	**$ 24.7**	**$ 21.3**	**$ 22.2**

Rupee loans as of June 30, 2006 were secured by equity shares of Satyam Computer Services' held by the SC-Trust and had an interest rate of 10.25%. These rupee loans have been repaid during the year ended March 31, 2007.

Working capital term loan and external commercial borrowing have been taken by Nipuna. Satyam Computer Services has given a corporate guarantee to the bank for these borrowings. These borrowings are repayable in 3 years from each draw down date.

Aggregate maturities of long-term debt subsequent to September 30, 2007, are US$1.2 million in fiscal 2008, US$23.3 million in fiscal 2009, US$1.4 million in fiscal 2010 and US$1.1 million in fiscal 2011 and thereafter.

Unused lines of credit

Unused lines of credit comprise of:

(US$ in millions)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
Short-term debt	—	$ 2.4	$ 9.0
Non-fund facilities – Bank Guarantees	15.2	0.9	16.2
Total Unused lines of credit	**$ 15.2**	**$ 3.3**	**$ 25.2**

Nipuna has utilized its entire short-term debt facility during the six months ended September 30, 2007.

13. Employee Benefits

The Gratuity Plan

The following table sets forth the status of the Gratuity Plan of Satyam, and the amounts recognized in Satyam's consolidated balance sheets and statements of income.

(US$ in millions)

	Six months ended September 30, 2007	Six months ended September 30, 2006	Year ended March 31, 2007
Accumulated benefit obligation	**$ 8.3**	**$ 7.1**	**$ 7.6**
Change in projected benefit obligation			
Projected benefit obligation at beginning of the period	$ 10.2	$ 7.8	$ 7.8
Service cost	1.5	1.0	2.1
Interest cost	0.5	0.3	0.6
Actuarial loss/(gain)	2.2	0.4	0.6
Benefits paid	(0.8)	(0.5)	(1.2)
Effect of exchange rate changes	0.9	(0.3)	0.3
Projected benefit obligation at end of the period	**14.5**	**8.7**	**10.2**
Change in plan assets			
Employer contribution	0.8	0.5	1.2
Benefits paid from plan assets	(0.8)	(0.5)	(1.2)
Fair value of plan assets at end of the period	—	—	—
Funded status of the plans	**(25.6)**	**(8.7)**	**(10.2)**
Unrecognized net actuarial loss	—	1.6	—
Accrued benefit cost	**(25.6)**	**$ (7.1)**	**$ (10.2)**
The components of net gratuity costs are reflected below:			
Service cost	$ 1.5	$ 1.0	$ 2.1
Interest cost	0.5	0.3	0.6
Amortization	—	0.1	0.1
Net gratuity costs	**$ 2.0**	**$ 1.4**	**$ 2.8**

The assumptions used in accounting for the gratuity plan for the six months ended September 30, 2007 and 2006 (unaudited) and for the year ended March 31, 2007 are set out below:

Weighted-average assumptions used to determine benefit obligations:

	Six months ended September 30, 2007 (unaudited)	Six months ended September 30, 2006 (unaudited)	Year ended March 31, 2007
Discount rate	9.8%	8.0%	9.8%
Long-term rate of compensation increase	7.0%	7.0%	7.0%

Weighted-average assumptions used to determine net periodic benefit cost:

	Six months ended September 30, 2007 (unaudited)	Six months ended September 30, 2006 (unaudited)	Year ended March 31, 2007
Discount rate	9.8%	8.0%	9.8%
Long-term rate of compensation increase	7.0%	7.0%	7.0%

Cash Flows

Satyam expects to contribute US$2.8 million to its Gratuity plan during the year ending March 31, 2008. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(US$ in millions)

For the financial year ended March 31,	Expected contribution
2009	$ 3.3
2010	4.0
2011	5.3
2012	6.5
2013 – 2016	$ 27.1

Effective March 31, 2007, Satyam adopted the provisions of SFAS No. 158. The following table presents the incremental effect of applying SFAS No. 158 on the Consolidated Statement of Financial Position:

	Before application of SFAS 158	Adjustments	After application of SFAS 158
Current assets — Deferred income taxes	$ 17.0	$ 0.1	$ 17.1
Non-current assets — Other assets	39.0	0.5	39.5
Total Assets	**1,623.5**	**0.6**	**1,624.1**
Current liabilities — Accrued expenses and other current liabilities	148.4	0.2	148.6
Long-term liabilities — Gratuity, excluding current portion	6.5	1.6	8.1
Total Liabilities	**251.3**	**1.8**	**253.1**
Accumulated other comprehensive income, net of tax	62.1	(1.2)	60.9
Total Shareholders' Equity	**$ 1,372.2**	**$ (1.2)**	**$ 1,371.0**

As at March 31, 2007, Satyam recorded unrecognized net gains/(losses) amounting to US$(1.2) million in the Stockholders' equity section as part of Accumulated Other Comprehensive Income, net of tax of US$0.6 million. During the period ended September 30, 2007, actuarial gains/(losses) of US$(1.4) million was amortized from Accumulated Other Comprehensive Income, net of tax of US$0.7 million. Consequently, as at September 30, 2007, Satyam has unrecognized net gains/(losses) amounting to US$(2.7) million in the Shareholders' equity section as part of Accumulated Other Comprehensive Income, net of tax of US$1.4 million.

Provident Fund

Satyam's contribution towards the Provident Fund amounted to US$10.2 million and US$6.4 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$14.7 million for the year ended March 31, 2007.

Superannuation Plan

Satyam Computer Services' contribution towards the Superannuation Plan maintained by LIC amounted to US$1.5 million and US$0.8 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$1.9 million for the year ended March 31, 2007.

14. Earnings per Share

Basic earning per share is computed on the basis of the weighted average number of shares outstanding (weighted average number of shares issued less unallocated, unvested and unexercised shares held by the SC — Trust). Allocated but unvested or unexercised shares not included in the calculation of weighted-average shares outstanding for basic earnings per share were 146,200 and 89,000 as of September 30, 2007 and 2006 (unaudited) respectively and 146,200 as of March 31, 2007. Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding plus the effect of outstanding stock options using the "treasury stock" method.

In addition to the above, the unallocated shares held by SC — Trust, which are by definition unvested, have been excluded from all earnings per share calculations. Such shares amounted to 2,149,680 and 2,279,680 as of September 30, 2007 and 2006 (unaudited) respectively and 2,149,680 as of March 31, 2007.

The components of basic and diluted earnings per share were as follows:

(US$ in millions except per share data and as stated otherwise)

	Six months ended September 30, 2007 (unaudited)	Six months ended September 30, 2006 (unaudited)	Year ended March 31, 2007
Net income	**$ 195.0**	**$ 141.0**	**$ 298.4**
Equity Shares:			
Average outstanding shares (in millions)	665.5	650.1	652.5
Dilutive effect of Associate Stock Options (in millions)	14.1	20.4	13.5
Share and share equivalents (in millions)	**679.6**	**670.5**	**666.0**
Earnings per share			
Basic	$ 0.29	$ 0.22	$ 0.46
Diluted	$ 0.29	$ 0.21	$ 0.45

15. Stock-based Compensation Plans

ASOP plan

In May 1998, Satyam Computer Services established its Associate Stock Option Plan (the "ASOP plan"), which provided for the issue of 26,000,000 shares, as adjusted to eligible associates. Satyam Computer Services issued warrants to purchase these shares to a controlled associate welfare trust called the Satyam Associate Trust (the "SC-Trust"). In December 1999, the SC- Trust exercised all its warrants to purchase Satyam Computer Services shares prior to the stock split using the proceeds obtained from bank loans. The warrants vest immediately or vest over a period ranging from one to three years. Upon vesting, associates have 30 days in which to exercise these warrants. As of September 30, 2007, warrants (net of lapsed and cancelled) to purchase 23,829,720 equity shares have been granted to associates pursuant to ASOP since inception.

ASOP B plan

In April 2000, Satyam Computer Services established its Associate Stock Option Plan B (the "ASOP B") and reserved warrants for 83,454,280 shares to be issued to eligible associates with the intention to issue the warrants at the market price of the underlying equity shares on the date of the grant. These warrants vest over a period ranging from two to four years, starting with 20% in second year, 30% in the third year and 50% in the fourth year. Upon vesting, associates have 5 years to exercise these warrants. As of September 30, 2007, options (net of lapsed and cancelled) to purchase 53,691,820 equity shares have been granted to associates under this plan since inception.

ASOP ADS plan

In May 2000, Satyam Computer Services established its Associate Stock Option Plan (ADS) (the 'ASOP (ADS)') to be administered by the Administrator of the ASOP (ADS) which is a committee appointed by the Board of Directors of Satyam Computer Services and reserved 5,149,330 ADSs (10,298,660 shares) to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the grant date. These warrants vest over a period of 1-10 years from the grant date. As of September 30, 2007, warrants (net of lapsed and cancelled) for 3,198,904 ADSs representing 6,397,808 equity shares have been granted to associates under the ASOP ADS since inception.

Associate Stock Option Plan — Restricted Stock Units (ASOP – RSUs)

In January 2007, Satyam Computer Services has established a scheme "Associate Stock Option Plan - Restricted Stock Units (ASOP – RSUs)" to be administered by the Administrator of the ASOP – RSUs, a committee appointed by the Board of Directors of the Company. Under the scheme 13 million equity shares are reserved to be issued to eligible associates at a price to be determined by the Administrator which shall not be less than the face value of the share. ASOP RSUs vest over a period of 1-4 years from the date of the grant. Upon vesting, associates have 5 years in which to exercise these warrants. As of September 30, 2007, warrants for 3,254,850 shares have been granted under the ASOP — RSUs.

Associate Stock Option Plan — RSUs (ADS) (ASOP – RSUs (ADS))

In January 2007, Satyam Computer Services has established a scheme "Associate Stock Option Plan - RSUs (ADS)" to be administered by the Administrator of the ASOP – RSUs (ADS), a committee appointed by the Board of Directors of the Company. Under the scheme 13 million equity shares minus the number of shares issued from time to time under the Associate Stock Option Plan — RSUs are reserved to be issued to eligible associates at a price to be determined by the Administrator not less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. Upon vesting, associates have 5 years in which to exercise these warrants. As of September 30, 2007, warrants for 257,340 ADS representing 514,680 shares have been granted under the ASOP – RSUs (ADS).

Warrant grants

During the six months ended September 30, 2007, under the ASOP B plan, Satyam Computer Services issued warrants for Nil (net of 890,927 warrants cancelled and lapsed) shares to the associates. During the same period, under the ASOP (ADS), Satyam Computer Services issued warrants for Nil ADS representing Nil shares, warrants for 16,896 ADS representing 33,792 shares were cancelled and lapsed. Further, during the six months ended September 30, 2007, under the ASOP — RSUs plan, Satyam Computer Services issued warrants for Nil (net of 91,290 warrants cancelled) shares to the associates. During the same period, under the ASOP — RSUs (ADS) plan, Satyam Computer Services issued warrants for 20,720 ADS representing 41,440(net of 11,780 ADS representing 23,560 shares were cancelled) shares to associates under the ASOP – RSUs (ADS) plan.

During the six months ended September 30, 2006 (unaudited), under the ASOP B plan, Satyam Computer Services issued warrants for Nil (net of 6,541,034 warrants cancelled) shares to the associates. During the same period, under the ASOP (ADS), Satyam Computer Services issued warrants for Nil ADS representing Nil (net of warrants for 115,152 ADS representing 230,304 shares cancelled) shares to associates under the ASOP (ADS) plan.

During the year ended March 31, 2007, the SC-Trust issued immediately vesting warrants for 39,000 shares and warrants for 91,000 (net of Nil warrants cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the year ended March 31, 2007, under the ASOP B plan, Satyam Computer Services issued warrants for Nil (net of 8,180,519 warrants cancelled) shares to the associates. During the same period, under the ASOP (ADS), Satyam Computer Services issued warrants for 20,000 ADS representing 40,000 shares (net of warrants for 126,142 ADS representing 252,284 shares cancelled) shares to associates under the ASOP (ADS) plan. Further, during the year ended March 31, 2007, under the ASOP — RSUs plan, Satyam Computer Services issued warrants for 3,293,140 shares to the associates. During the same period, under the ASOP — RSUs (ADS) plan, Satyam Computer Services issued warrants for 236,620 ADS representing 473,240 shares to associates under the ASOP – RSUs (ADS) plan.

Changes in number of equity shares representing stock options outstanding for each of the plans were as follows:

	Six months ended September 30,				Year ended March 31,	
	2007(unaudited)		2006 (unaudited)		2007	
ASOP Plan	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the Period	**146,200**	**$1.69**	**106,600**	**$1.42**	**106,600**	**$ 1.42**
Granted	—	—	—	—	130,000	$ 1.67
Exercised	—	—	(17,600)	$1.27	(90,400)	$ 1.39
Balance at the end of the Period	**146,200**	**$1.69**	**89,000**	**$1.39**	**146,200**	**$ 1.69**
Exercisable at the end of the period	17,600	$1.72	13,800	$1.30	—	—
Weighted average fair value of options granted during the period	—	—	—	—	—	$10.24

As of September 30, 2007 options vested and expected to vest are 146,200 with an aggregate grant date intrinsic value of US$0.51 million.

	Six months ended September 30,				Year ended March 31,	
	2007 (unaudited)		2006 (unaudited)		2007	
ASOP B	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the Period	**19,976,210**	**$3.89**	**45,605,388**	**$3.74**	**45,605,388**	**$3.74**
Granted	—	—	—	—	—	—
Exercised	(1,248,498)	$4.08	(5,495,790)	3.37	(17,448,659)	3.80
Cancelled	(856,818)	$4.52	(6,541,034)	3.63	(8,180,519)	3.88
Lapsed	(34,109)	$6.20	—	—	—	—
Balance at the end of the Period	**17,836,785**	**$4.20**	**33,568,564**	**$3.65**	**19,976,210**	**$3.89**
Exercisable at the end of the period	10,738,385	$4.21	14,269,010	$3.43	6,001,418	$4.06
Weighted average fair value of options granted during the period	—	—	—	—	—	—

As of September 30, 2007 options vested and expected to vest are 14,982,899 with an aggregate grant date intrinsic value of US$ Nil.

	Six months ended September 30,				Year ended March 31,	
	2007 (unaudited)		2006 (unaudited)		2007	
ASOP (ADS)	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the period	**2,922,128**	**$4.89**	**3,982,684**	**$4.25**	**3,982,684**	**$ 4.12**
Granted	—	—	40,000	$9.40	40,000	$10.02
Exercised	(105,270)	$3.18	(239,440)	$2.71	(848,272)	$ 2.89
Cancelled	(32,312)	$5.50	(230,304)	$4.10	(252,284)	$ 4.42
Lapsed	(1,480)	$2.96	—	—	—	—
Balance at the end of the period	**2,783,066**	**$5.37**	**3,552,940**	**$4.26**	**2,922,128**	**$ 4.89**
Exercisable at the end of the period	2,209,758	$4.70	2,221,816	$3.37	1,985,282	$ 8.33
Weighted average fair value of options granted during the period	—	—	40,000	$9.40	40,000	$10.02

As of September 30, 2007 options vested and expected to vest are 2,476,929 with an aggregate grant date intrinsic value of US$ Nil.

	Six months ended June 30,				Year ended March 31,	
	2007 (unaudited)		2006 (unaudited)		2007	
RSU Plan	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the period	**3,293,140**	**$ 0.05**	**—**	**—**	**—**	**—**
Granted	53,000	$ 0.05	—	—	3,293,140	$ 0.05
Exercised	—	—	—	—	—	—
Cancelled	(91,290)	$ 0.05	—	—	—	—
Balance at the end of the period	**3,254,850**	**$ 0.05**	**—**	**—**	**3,293,140**	**$ 0.05**
Exercisable at the end of the period	—	—	—	—	—	—
Weighted average fair value of options granted during the period	53,000	$11.78	—	—	3,293,140	$11.77

As of September 30, 2007 options vested and expected to vest are 2,898,426 with an aggregate grant date intrinsic value of US$ 31.21 million.

RSU ADS Plan	Six months ended September 30, 2007 (unaudited) Number of equity shares	Six months ended September 30, 2007 (unaudited) Weighted Average Exercise Price	Six months ended September 30, 2006 (unaudited) Number of equity shares	Six months ended September 30, 2006 (unaudited) Weighted Average Exercise Price	Year ended March 31, 2007 Number of equity shares	Year ended March 31, 2007 Weighted Average Exercise Price
Balance at the beginning of the period	**473,240**	**$ 0.05**	**—**	**—**	**—**	**—**
Granted	65,000	$ 0.05	—	—	473,240	$ 0.05
Cancelled	(23,560)	**$ 0.05**	—	—	—	—
Balance at the end of the period	**514,680**	**$ 0.05**	**—**	**—**	**473,240**	**$ 0.05**
Exercisable at the end of the period	—	—	—	—	—	—
Weighted average fair value of options granted during the period	65,000	$13.28	—	—	473,240	$24.05

As of September 30, 2007 options vested and expected to vest are 512,609 with an aggregate grant date intrinsic value of US$ 6.05 million.

Information about number of equity shares representing stock options outstanding as on September 30, 2007:

Range of Exercise Price (per equity share)		Outstanding: Weighted Average Exercise Price (per equity share)	Outstanding: Weighted Average remaining contractual life	Outstanding: Number of equity shares arising out of options	Exercisable: Weighted Average Exercise Price (per equity share)	Exercisable: Number of equity shares arising out of options
Rs.2.00 Rs.4.00	$ 0.05 $ 0.10	Rs.2.00 $ 0.05	6.84 Years	3,769,530	—	—
Rs.68.57 Rs.166.10	$ 1.72 $ 4.18	Rs.148.13 $ 3.73	4.50 Years	8,946,242	Rs.142.32 $ 3.58	6,027,882
Rs.166.11 Rs.367.94	$ 4.18 $ 9.26	Rs.203.16 $ 5.11	4.31 Years	10,106,125	Rs.206.45 $ 5.19	5,795,405
Rs.367.95 Rs.863.67	$ 9.26 $21.73	Rs.516.92 $13.00	4.38 Years	1,713,684	Rs.502.21 $12.63	1,142,456

The US$ numbers in the above tables have been translated using the closing exchange rate as of September 30, 2007 1US$= Rs39.75

There are no grants with the exercise price in the range of Rs.4.01- Rs68.56 (US$0.10 – US$1.69).

Stock-based compensation

Satyam's Consolidated Financial Statements as of and for the six months ended September 30, 2007 (unaudited) reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. As required by SFAS 123(R), management has made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. Upon adoption of SFAS 123R, Satyam had no cumulative adjustment on account of expected forfeitures for stock-based awards granted prior to April 1, 2006. Satyam recorded stock-based compensation related to stock options of US$12.2 million and US$7.1 million during the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$15.7 million during the year ended March 31, 2007, on graded vesting basis for all unvested options granted prior to and options granted after the adoption of SFAS 123(R). As of September 30, 2007, there was US$30.3 million of unrecognized compensation cost related to unvested options which is expected to be recognized over a weighted average period of 0.97 years. Satyam issues new shares to satisfy share option exercise. Cash received from option exercises amounted to US$3.2 million, US$16.7 million for the six months September 30, 2007 and 2006 (unaudited) respectively and US$64.4 million for the year ended March 31, 2007.

The fair value of each option award is estimated on the date of grant using the Black Scholes option-pricing model. The following table gives the weighted-average assumptions used to determine fair value:

	Six months ended September 30, 2007 (unaudited)	Six months ended September 30, 2006 (unaudited)	Year ended March 31, 2007
Dividend yield	0.78%	0.75%	0.78%
Expected volatility	56.64%	56.15%	59%
Risk-free interest rate	8%	7%	8%
Expected term (in years)	0.97	1.14	0.96

Expected Term: The expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior.

Risk-Free Interest Rate: The risk-free interest rate is based on the applicable rates of government securities in effect at the time of grant.

Expected Volatility: The fair values of stock-based payments were valued using a volatility factor based on the Company's historical stock prices.

Expected Dividend: The Black Scholes option-pricing model calls for a single expected dividend yield as an input.

Estimated Pre-vesting Forfeitures: When estimating forfeitures, the Company considers voluntary termination behavior. Estimated forfeiture rates are trued-up to actual forfeiture results as the stock-based awards vest.

Stock based compensation plan of Nipuna

In April 2004, Nipuna established its Employee Stock Option Plan (the "ESOP"). As per the ESOP, the options were granted at fair value as determined by an independent valuer as on the date of the grant and hence no compensation cost has been recognized. These options vest starting with 33.33% at the end of the second year, 33.33% at the end of the third year and remaining 33.34% at the end of the fourth year from the date of grant.

Changes in number of equity shares representing stock options outstanding were as follows:

	Six months ended September 30, 2007 (unaudited)		Six months ended September 30, 2006 (unaudited)		Year ended March 31, 2007	
ESOP Plan	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the period	**998,702**	**$1.86**	**1,215,106**	**$1.80**	**1,215,506**	**$1.80**
Granted	—	—	225,298	1.75	324,000	1.77
Exercised	286,952	1.98	—	—	—	—
Cancelled	—	—	(414,804)	1.75	(540,804)	1.77
Lapsed	—	—	—	—	—	—
Balance at the end of the period	**711,750**	**$1.81**	1,026,000	$1.74	**998,702**	**$1.86**
Exercisable at the end of the period	—	—	—	—	—	—
Weighted average fair value of options granted during the period	—	—	225,298	$1.75	—	$1.77

16. Segmental Reporting

Satyam has adopted SFAS 131; *"Disclosures about Segments of an Enterprise and Related Information"* which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on stand-alone revenues and net income for the companies in Satyam. The executive management evaluates Satyam's operating segments based on the following two business groups:

– *IT services*, providing a comprehensive range of services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions, infrastructure management services. Satyam provides its customers the ability to meet all of their information technology needs from one service provider. Satyam's eBusiness services include designing, developing integrating and maintaining Internet-based applications, such as eCommerce websites, and implementing packaged software applications, such as customer or supply chain management software applications. Satyam also assists its customers in making their existing computing systems accessible over the Internet. The segment information includes the results of Citisoft and Knowledge Dynamics which were acquired during last year.

– *Business Process Outsourcing*, providing BPO services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

Satyam's operating segment information for the six months ended September 30, 2007 and 2006 (unaudited) and the year ended March 31, 2007 are as follows:

Business Segments

(US$ in millions)

	IT Services	BPO	Elimination	Consolidated totals
For the six months ended September 30, 2007 (unaudited)				
Revenue – External customers	942.0	19.9	—	961.9
Revenue – Inter-segment	0.8	7.1	(7.9)	—
Total Revenues	**942.8**	**27.0**	**7.9**	**961.9**
Operating income / (loss)	182.8	(2.4)	—	180.4
Equity in earnings/(losses) of associated companies, net of taxes	—	—	—	—
Net income / (loss)	197.5	(2.5)	—	195.0
Segment assets	1,920.5	86.6	(22.7)	1,984.4
Depreciation and amortization	16.8	2.6	—	19.4
Capital expenditures for long-lived assets	46.2	(0.8)	—	45.4
For the six months ended September 30, 2006 (unaudited)				
Revenue – External customers	661.1	13.3	—	674.4
Revenue – Inter-segment	0.4	3.7	(4.0)	0.1
Total Revenues	**661.5**	**17.0**	**(4.0)**	**674.5**
Operating income / (loss)	134.0	(1.0)	—	133.0
Equity in earnings/(losses) of associated companies, net of taxes	0.4	—	—	0.4
Net income / (loss)	**142.9**	**(1.9)**	**—**	**141.0**
Segment assets	1,315.7	35.4	(19.2)	1,331.9
Depreciation and amortization	15.0	1.4	—	16.4
Capital expenditures for long-lived assets	37.1	3.0	—	40.1
For the year ended March 31, 2007				
Revenue – External customers	$1,432.5	$28.9	—	$1,461.4
Revenue – Inter-segment	0.6	9.2	(9.8)	—
Total Revenues	**1,433.1**	**38.1**	**(9.8)**	**1,461.4**
Operating income / (loss)	294.0	(2.4)	—	291.6
Equity in earnings/(losses) of associated companies, net of taxes	0.8	—	—	0.8
Net income	302.7	(4.3)	—	298.4
Segment assets	1,605.3	42.5	(23.7)	1,624.1
Depreciation and amortization	30.4	3.2	—	33.6
Capital expenditures for long-lived assets	79.6	4.2	—	83.8

The capital expenditures for long-lived assets in the above table represent the additions to premises and equipment (fixed assets) of each segment.

Geographic Information

The revenues that are attributable to countries based on location of customers and long-lived assets are as follows:

(US$ in millions)

	Six months ended September 30,				Year ended March 31,	
	2007 (unaudited)		2006 (unaudited)		2007	
	Revenues from external customers	Long-lived assets	Revenues from external customers	Long-lived assets	Revenues from external customers	Long-lived assets
United States	$ 577.9	$ 4.3	$ 435.2	$ 3.8	$ 924.0	$ 4.1
Europe	196.6	1.4	125.5	0.8	276.5	1.4
India	32.9	270.8	32.3	158.6	75.2	194.8
Japan	13.5	0.7	9.0	0.4	20.8	0.4
Rest of the World	141.0	4.9	72.5	2.5	164.9	2.5
Total	**$ 961.9**	**$ 282.1**	**$ 674.5**	**$ 166.1**	**$ 1,461.4**	**$ 203.2**

The long-lived assets in the above table represent premises and equipment and intangible assets of each segment.

17. Related Party Transactions

Related party transactions comprise of

(US$ in millions)

	Six months ended September 30,		Year ended
	2007	2006	March 31, 2007
	(unaudited)	(unaudited)	
Infrastructure and other services provided by Satyam to			
Satyam Venture	$ 0.1	$ 0.2	$ 0.5
CA Satyam	$ 0.1	—	—
Total	**$ 0.2**	**$ 0.2**	**$ 0.5**
Infrastructure and other services received by Satyam from			
Satyam Venture	$ 2.4	$ 4.5	$ 8.6
CA Satyam	—	0.2	0.2
Total	**$ 2.4**	**$ 4.7**	**$ 8.8**

The balances receivable from and payable to related parties are as follows:

(US$ in millions)

	As of September 30,		As of March 31,
Amount due from/(to) associated companies	2007	2006	2007
	(unaudited)	(unaudited)	
Satyam Venture	$ (3.4)	$ (2.8)	$ (2.6)
Total	**$ (3.4)**	**$ (2.8)**	**$ (2.6)**

18. Shareholders' Equity and Dividends

Increase in authorized share capital

On August 21, 2006, the shareholders of Satyam Computer Services approved for increase in authorized capital of the Company from 375 million equity shares to 800 million equity shares.

Stock Split (in the form of stock dividend)

On August 21, 2006, the shareholders of Satyam Computer Services approved a two-for-one stock split (in the form of stock dividend) which was effective on October 10, 2006. Consequently, Satyam capitalized an amount of US$17.7 million from its retained earnings to common stock. All references in the financial statements to number of shares, per share amounts, stock option data, and market prices of Satyam Computer Services' equity shares have been retroactively restated to reflect the stock split unless otherwise noted.

Dividends

Final dividends proposed by the Board of Directors are payable when formally declared by the shareholders, who have the right to decrease but not increase the amount of the dividend recommended by the Board of Directors. The Board of Directors declares interim dividends without the need for shareholders' approval.

Dividends payable to equity shareholders are based on the net income available for distribution as reported in Satyam Computer Services unconsolidated financial statements prepared in accordance with Indian GAAP. As such, dividends are declared and paid in Indian Rupees. The net income in accordance with U.S. GAAP may, in certain years, either not be fully available or will be additionally available for distribution to equity shareholders. Under Indian GAAP the retained earnings available for distribution to equity shareholders was US$1,287.3 million and US$835.6 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$1,062.6 million for the year ended March 31, 2007.

Under the Indian Companies Act, dividends may be paid out of the profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10.0% of the par value of its equity shares, a company is required to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10.0%, depending on the dividend percentage to be declared in such year.

19. Contingencies and Commitments

a) Knowledge Dynamics Pte Ltd.

For commitments relating to Knowledge Dynamics refer note 3.

b) Bank guarantees

Bank guarantees outstanding are US$27.2 million and US$16.0 million as of September 30, 2007 and 2006 (unaudited) respectively and US$23.1 million as of March 31, 2007. Bank guarantees are generally provided to government agencies, excise and customs authorities for the purposes of maintaining a bonded warehouse. These guarantees may be revoked by the governmental agencies if they suffer any losses or damage through the breach of any of the covenants contained in the agreements.

c) Capital commitments

Contractual commitments for capital expenditure pending execution were US$77.5 million and US$37.9 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$38.2 million as of March 31, 2007. Contractual commitments for capital expenditures are relating to acquisition of premises and equipment.

d) Operating leases

Satyam has certain operating leases for land, office premises and guesthouses. Rental expenses for operating leases are accounted for on a straight line method. Rental expense amounted to US$15.1 million and US$10.2 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$23.7 million for the year ended March 31, 2007.

Future minimum annual lease commitments for non-cancelable lease arrangements, including those leases for which renewal options may be exercised as of September 30, 2007 are US$3.3 million in fiscal 2008, US$3.9 million in fiscal 2009, US$1.7 million in fiscal 2010, US$1.5 million in fiscal 2011 and thereafter.

e) Venture Global Engineering LLC, USA

Satyam Computer Services had filed a request for arbitration with the London Court of International Arbitration ("LCIA") naming Venture Global Engineering LLC, USA ("VGE") as respondent. The Arbitration concerned a dispute between Satyam Computer Services and VGE in connection with their joint venture Satyam Venture Engineering Services Private Limited ("SVES").

The LCIA Arbitrator issued his Final Award on April 3, 2006 in favour of Satyam Computer Services. Satyam Computer Services has filed a petition to recognize and enforce the Award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois. Management believes that this will not have any adverse effect upon Satyam's results of operations, financial condition and cash flows.

20. Concentration of Credit Risk

Accounts receivable balances are typically unsecured and are derived from revenues earned from customers primarily located in the United States. Satyam monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. The following table gives details in respect of percentage of revenues generated from top two and top five customers:

	Six months ended September 30, 2007 (unaudited)	2006 (unaudited)	Year ended March 31, 2007
Revenues generated from top two customers			
Customer I	5.19%	6.67%	6.34%
Customer II	5.13%	5.05%	4.41%
Total revenues from top five customers	19.71%	21.33%	21.04%

21. Financial Instruments

Forward and options contracts

Satyam Computer Services enters into foreign exchange forward and options contracts where the counter party is generally a bank. Satyam Computer Services considers the risks of non-performance by the counter party as not material.

The following tables give details in respect of our outstanding foreign exchange forward and options contracts:

(US$ in millions)

	As of September 30, 2007 (unaudited)	2006 (unaudited)	As of March 31, 2007
Aggregate contracted principal amounts of contracts outstanding:			
Forward contracts	$ 244.0	$ 65.0	$ 100.0
Options contracts	539.2	93.0	352.6
Total	**$ 783.2**	**$ 158.0**	**$ 452.6**
Balance sheet exposure:			
Forward contracts	$ 18.2	$ (0.5)	$ 2.1
Options contracts	17.8	(2.6)	2.4
Total	**$ 36.0**	**$ (3.1)**	**$ 4.5**

The outstanding foreign exchange forward and options contracts as of September 30, 2007 mature between one to thirty three months.

Gains/(losses) on foreign exchange forward and options contracts are included in the statement of income and are as stated below:

(US$ in millions)

	Six months ended September 30, 2007 (unaudited)	2006 (unaudited)	Year ended March 31, 2007
Forward contracts	$ 16.2	$ (1.3)	$ 2.6
Options contracts	17.6	(1.9)	3.6
Total	**$ 33.8**	**$ (3.2)**	**$ 6.2**

Fair value

The carrying amounts reported in the balance sheets for cash and cash equivalents, trade and other receivables, investments, amounts due to or from related parties, short-term debts, accounts payable and other liabilities approximate their respective fair values due to their short maturity and due to no change in the interest rates for bank deposits. The approximate fair value of long-term debts, as determined by using current interest rates was US$27.0 million and US$24.1 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$23.8 million as of March 31, 2007 as compared to the carrying amounts of US$27.0 million and US$24.1 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$23.8 million as of March 31, 2007.

22. Schedules of Balance sheet

a) Cash and Cash Equivalents

The cash and cash equivalents consist of:

(US$ in millions)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
Cash and bank balances	$ 161.7	$ 356.7	$ 138.2
Cash equivalents	2.6	6.3	14.0
Cash and cash equivalents	**$ 164.3**	**$ 363.0**	**$ 152.2**

b) Accounts receivable and allowance for doubtful debts

Accounts receivable consist of:

(US$ in millions)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
Customers (trade)	$ 478.0	$ 276.3	$ 386.9
Related parties	0.1	—	0.1
Less: Allowance for doubtful debts	(27.0)	(19.5)	(22.8)
Accounts receivable, net	**$ 451.1**	**$ 256.8**	**$ 364.2**

The allowance for doubtful debt is established at amounts considered to be appropriate based primarily upon Satyam's past credit loss experience and an evaluation of potential losses on the outstanding receivable balances.

c) Prepaid Expenses and Other Receivables

Prepaid expenses and other receivables consist of:

(US$ in millions)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
Interest accrued on bank deposits	—	$ 33.4	—
Prepaid expenses	$ 8.0	4.3	$ 8.1
Directors liability insurance	—	—	0.3
Advance for expenses	23.0	14.6	9.3
Loans and advance to employees	15.4	8.3	13.8
Other advances and receivables	8.3	4.1	4.9
Forward and Option contracts	36.0	—	4.5
Less: Allowance for doubtful advances	(4.8)	(2.3)	(3.8)
Prepaid expenses and other receivables	**$ 85.9**	**$ 62.4**	**$ 37.1**

Prepaid expenses principally include the un-expired portion of annual rentals paid for use of leased telecommunication lines, satellite link charges, and insurance premiums.

Others advances and receivables include the current portion of the restricted cash in the form of deposits placed with banks to obtain bank guarantees amounted to US$2.1 million and US$1.1 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$2.1 million as of March 31, 2007.

d) Other Assets

Other assets consist of:

(US$ in millions)

	As of September 30, 2007 (unaudited)	As of September 30, 2006 (unaudited)	As of March 31, 2007
Interest accrued on bank deposits	$ 43.4	—	$ 15.1
Deposits	25.8	18.6	20.8
Loans and advances to employees due after one year	0.9	0.8	0.9
Deferred taxes on income	4.1	0.5	3.3
Others	1.8	1.0	1.0
Less: Allowance for doubtful advances	(1.7)	(1.5)	(1.6)
Other Assets	**$ 74.3**	**$ 19.4**	**$ 39.5**

Others include the non-current portion of the restricted cash in the form of deposits placed with banks to obtain bank guarantees amounted to US$0.7 million and US$0.3 million for the six months ended September 30, 2007 and 2006 (unaudited) respectively and US$0.3 million as of March 31, 2007. Telephone and other deposits are primarily attributable to deposits with government organizations principally to obtain leased telephone lines and electricity supplies and advance payments to vendors for the supply of goods and rendering of services.

e) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of:

(US$ in millions)

	As of September 30,		As of March 31,
	2007	2006	2007
	(unaudited)	(unaudited)	
Accrued expenses	$ 124.2	$ 93.4	$ 99.0
Forward and Option contracts	—	3.1	—
Unclaimed dividend	4.7	2.4	1.5
Provision for taxation, net of payments	29.9	12.8	15.5
Provision for gratuity and unutilized leave	39.4	32.9	29.5
Deferred taxes on income	3.3	2.7	3.1
Accrued expenses and other current liabilities	**$ 201.5**	**$ 147.3**	**$ 148.6**

23. Subsequent event

On October 23, 2007, Satyam Computer Services announced its intention to acquire 100% of the shares of Nitor Global Solutions Ltd, United Kingdom (“Nitor”), a Company specialized in the Infrastructure Management Services (IMS) space. The total consideration for this acquisition would be approximately US$5.6 million including a performance-based payment of up to US$2.6 million over two years conditional upon specified revenue and profit targets being met. The initial consideration of US$3.0 million is payable by January 3, 2008 of which US$0.5 million is payable by October 31, 2007.

REPORT ON FORM 6-K CONTAINING FINANCIAL INFORMATION FOR THE QUARTER ENDED 30 JUNE 2007

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K
Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the quarter ended June 30, 2007

Commission File Number 001-15190

Satyam Computer Services Limited
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Republic of India
(Jurisdiction of incorporation or organization)

Satyam Technology Center
Bahadurpally Village
Qutbullapur Mandal,
R.R.District — 500855
Hyderabad, Andhra Pradesh
India
(91) 40-3063-3505
(Address of principal executive offices)

Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☑ Form 40-F ☐

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes ☐ No ☑

If "Yes" is marked, indicate below the file number assigned to Registrant- in connection with Rule 12g3-2(b) : Not applicable. The Company is incorporating by reference, the information and exhibits set forth in this Form 6-K into its registration statement on Form S-8 (Registration No. 333-13772 and Registration No. 333-139949).

TABLE OF CONTENTS

Table of Contents

Currency of Presentation and Certain Defined Terms

Unless otherwise stated in this Quarterly Report or unless the context otherwise requires, references herein to “we,” “our,” “us,” “Satyam” and “our company” are to Satyam Computer Services Limited and its consolidated subsidiaries and other consolidated entities.

In this Quarterly Report, references to “US”, “Dollars” or the “United States” are to the United States of America, its territories and its possessions. References to “India” are to the Republic of India. References to “$,” “Dollars” or “U.S. dollars” are to the legal currency of the United States, and references to “Rs.,” “rupees” or “Indian rupees” are to the legal currency of India. References to a particular “fiscal” year are to our fiscal year ended March 31 of such year.

For your convenience, this Quarterly Report contains translations of some Indian rupee amounts into U.S. dollars which should not be construed as a representation that those Indian rupee or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Indian rupees, as the case may be, at any particular rate, the rate stated below, or at all.

Except as otherwise stated in this Quarterly Report, all translations from Indian rupees to U.S. dollars contained in this Quarterly Report have been based on the noon buying rate in the City of New York on June 30, 2007 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The noon buying rate on June 30, 2007 was Rs.40.58 per $1.00.

Information contained in our websites, including our corporate website, www.satyam.com, is not part of this Quarterly Report.

FORWARD-LOOKING STATEMENTS MAY PROVE INACCURATE

We have included statements in this Quarterly Report which contain words or phrases such as “may,” “will, “ “will likely result,” “believe,” “expect,” “will continue,” “anticipate,” “estimate,” “intend,” “plan,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “project,” “should” and similar expressions or variations of such expressions, that are “forward-looking statements.” Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to implement our strategy and our growth and expansion.

In addition to historical information, this Quarterly Report contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled “Item 2. Operating and Financial Review and Prospects — Risk Factors” and elsewhere in this Quarterly Report. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date of this Quarterly Report. In addition, you should carefully review the other information in this Quarterly Report and in our periodic reports and other documents filed with the United States Securities and Exchange Commission, or SEC, from time to time. Our filings with the SEC are available on its website, www.sec.gov.

In addition, other factors that could cause results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to, general economic and political conditions in India, Southeast Asia, and other countries which have an impact on our business activities, changes in Indian and foreign laws, regulations and taxes, changes in competition and other factors beyond our control, including the factors described in this “Risk Factors” section.

We are not required to update any of the forward-looking statements after the date of this Quarterly Report to conform such statements to actual results or to reflect events or circumstances that occur after the date the statement is made or to account for unanticipated events.

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Please see Exhibit 99.6 under Item 6 of this Form 6-K for our unaudited U.S. GAAP consolidated financial statements for the three months ended June 30, 2007.

Item 2. Operating and financial review and prospects

The following discussion of the financial condition and results of operations of our company should be read in conjunction with the financial statements and the related notes included elsewhere in this document. This discussion contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please see Risk Factors.

Overview

We are a global IT solutions provider, offering a comprehensive range of IT services to our customers, including application development and maintenance services, consulting and enterprise business solutions extended engineering solutions, infrastructure management services. We also offer business process outsourcing or BPO services through our majority-owned subsidiary, Nipuna Services Ltd or Nipuna. We are the fourth largest Indian IT software and services company, based on the amount of export revenues generated during our fiscal year ended March 31, 2007. Our total revenues for fiscal 2007 were $1,461.4 million and over the past three fiscal years our revenues have grown at a compound annual growth rate of 37.2%.

On May 12, 2005, we acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm that has focused on the investment management industry since 1986. Citisoft is a UK-based firm, with operating presences in London, Boston and New York. On June 29, 2006, we exercised the call option and acquired the remaining 25% equity interest in Citisoft, making Citisoft our wholly-owned subsidiary from that date. The operating results of Citisoft are evaluated by the management under IT services segment. On June 29, 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders. As per the amendment agreement, Satyam Computer Services is required to pay in July 2007, $3.5 million to the selling shareholders in lieu of the 2008 deferred and earn out consideration and $0.2 million towards EBT contribution in lieu of the 2008 EBT contribution.

On August 21, 2006, the shareholders of Satyam Computer Services approved a two-for-one stock split (in the form of stock dividend) which was effective on October 10, 2006. Consequently, Satyam capitalized an amount of $17.7 million from its retained earnings to common stock. All references to number of shares, per share amounts, stock option data, and market prices of Satyam Computer Services’ equity shares have been retroactively restated to reflect the stock split unless otherwise noted.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement (“SPRA Agreement”) was entered into between Satyam, the investors and Nipuna. Out of the total preference shares, 50% of the preference shares ($10 million) would be redeemed for $13.6 million at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. Since 50% of the preference shares are mandatorily redeemable, Satyam has reclassified 50% of the preference shares as a current liability measured at fair value and accrued redemption premium amounting to $3.6 million up to March 31, 2007.

The investors gave Nipuna a notice of conversion of preference shares and in January 2007 preference shares amounting to $10 million have been converted into 6,422,267 equity shares of Nipuna. Due to the issue of shares by Nipuna, Satyam Computer Services’ ownership interest in Nipuna was reduced from 100.0% as at March 31, 2006 to 74.0% as at June 30, 2007. The shares issued to the investors are at amounts per share higher than Satyam Computer Services’ average cost per share. With respect to this transaction, the resulting gain of $7.9 million, net of taxes during the year ended March 31, 2007 has been recorded as an increase in additional paid in capital. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam’s consolidated statement of income. As of June 30, 2007, the share purchase closing has not taken place.

During 2007, we have also established the following schemes “Associate Stock Option Plan - Restricted Stock Units (ASOP — RSUs)” and “Associate Stock Option Plan — RSUs (ADS)”.

We believe customers are increasingly demanding full-service IT providers that have expertise in both existing systems and new technologies, access to a large pool of highly-skilled technical personnel and the ability to service customers globally at competitive rates. To meet these requirements, we offer our customers an integrated global delivery model, which we refer to as the “Right Sourcing Model,” to provide flexible delivery alternatives to our customers through our offshore centers located in India, offsite centers which we have established in our major markets, nearshore centers located geographically near our customers’ premises and through our onsite teams operating at our customers’ premises. In addition, we use the expertise resident

Table of Contents

in our focused industry groups to provide specialized services and solutions to our customers in the manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation industries.

Our revenues and profitability have grown significantly in recent years. Our total revenues increased by 40.2% to $452.3 million during the three months ended June 30, 2007 as compared to $322.5 million during the three months ended June 30, 2006. Our net income increased by 23.3% to $93.1 million during the three months ended June 30, 2007 from $75.5 million during the three months ended June 30, 2006. Our revenue and profitability growth is attributable to a number of factors related to the expansion of our business, including increase in the volume of projects completed for our widening customer base, increase in our associate numbers, increased growth in our consulting and enterprise business solutions business and a strengthening of our customer base in United States and Europe. Our growth has continued despite increasing pressure for higher wages for our associates coupled with pressure for lower prices for our customers. In the three months ended June 30, 2007 and fiscal 2007 our five largest customers accounted for 20.2% and 23.3% respectively, of our total revenues. As of June 30, 2007, we had 41,829 employees (including employees of our subsidiaries), whom we refer to as associates, worldwide as compared to 39,018 associates as of March 31, 2007. With our continuing geographical expansion we now have offshore facilities in India and overseas facilities located in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States. We also have sales and marketing offices located in Brazil, Canada, Germany, Italy, the Netherlands, Saudi Arabia, Spain, Sweden, United Kingdom and United States and sales and marketing offices in the rest of the world.

Satyam has adopted SFAS 131; *"Disclosures about Segments of an Enterprise and Related Information"* which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on stand-alone revenues and net income for the companies in Satyam. The executive management evaluates Satyam's operating segments based on the following two business groups:

- ***IT services:*** We provide a comprehensive range of IT services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions, and infrastructure management services. We seek to be the single service provider capable of servicing all of our customers' IT requirements. Our consulting and enterprise business solutions includes services in the area of enterprise resource planning, customer relationship management and supply chain management, data warehousing and business intelligence, knowledge management, document management and enterprise application integration. We also assist our customers in making their existing computing systems accessible over the Internet. The segment information includes the results of Citisoft and Knowledge Dynamics Pte Ltd, Singapore, or Knowledge Dynamics which were acquired during 2005.

- ***BPO:*** We provide outsourced BPO services in areas such as human resources, finance and accounting, customer care (such as voice, email and chat) besides also providing industry-specific transaction processing services. We target our BPO services at the insurance, healthcare, banking and financial services, transportation, tourism, manufacturing, automotive, telecommunications, media, utilities and retail industries. Revenues from this business segment currently do not constitute a significant proportion of our total revenues; however, we anticipate that this proportion will increase over time. Our BPO services are offered through our majority-owned subsidiary, Nipuna. As part of the investor rights and securities subscription agreements which we have entered into with Nipuna's two other investors, we have agreed not to compete with Nipuna. Pursuant to these agreements, we and our affiliates are restricted from engaging in activities that are or could directly or indirectly be competitive with the business of Nipuna. Such activities include among others providing BPO, soliciting existing or prospective customers of Nipuna to obtain the services offered by Nipuna from other service providers and investing in companies engaged in the same or similar business as Nipuna. These non-compete restrictions apply until the investors redeem all of their preference shares in Nipuna or their equity interest in Nipuna up to 5%.

Revenues

We generate revenues through fees for professional services rendered in our two segments, namely, IT services and BPO services.

The following table sets forth the total revenues (excluding inter-segment revenues) for our business segments for the three months ended June 2007 and 2006:

	Three Months Ended June 30,			
	2007 (unaudited)		2006 (unaudited)	
Segment	Amount	%	Amount	%
	(in millions, except percentages)			
IT services	$ 443.8	98.1%	$ 316.2	98.0%
BPO	8.5	1.9	6.3	2.0
Total	$ 452.3	100.0%	$ 322.5	100.0%

We discuss below the components of our IT services revenues by technology type, contract type, offshore or onshore designation, top customers and customer geography:

Table of Contents

Revenues by technology

The vast majority of our revenues are generated from our various IT service offerings. The following table presents our IT services revenues (excluding inter-segment revenues) by type of service offering for the periods indicated:

	Three Months Ended June 30,			
	2007 (unaudited)		2006 (unaudited)	
Technology type	**Amount**	**%**	**Amount**	**%**
	(in millions, except percentages)			
Application development and maintenance services	$ 192.1	43.3%	$ 152.4	48.2%
Consulting and enterprise business solutions	198.0	44.6	129.2	40.9
Extended engineering solutions	32.5	7.3	18.3	5.7
Infrastructure management services	21.2	4.8	16.3	5.2
Total	$ 443.8	100.0%	$ 316.2	100.0%

Revenues by contract type

Our IT services are provided on a time-and-material basis or on a fixed-price basis. Revenues from IT services provided on a time-and-material basis are recognized in the period that the services are performed. Revenues from IT services provided on a fixed-price basis are recognized under the percentage of completion method of accounting and are recorded when we can reasonably estimate the time period to complete the work. The percentage of completion estimates are subject to periodic revisions and the cumulative impact of any revision in the estimates of the percentage of completion is reflected in the period in which the changes become known to us. Although we have revised our project completion estimates from time to time, such revisions have not materially affected our reported revenues to date. In recent years, we have experienced some pricing pressure from our customers, which has had a negative impact on margins. In response to current market trends, we are considering the viability of introducing performance-based or variable-pricing contracts. In the near term, we expect that revenue from fixed-price contracts will continue to increase as current market trends indicate a customer preference towards fixed-price contracts.

The following table presents our IT services revenues (excluding inter-segment revenues) by type of contract for the periods indicated:

	Three Months Ended June 30,			
	2007 (unaudited)		2006 (unaudited)	
Contract type	**Amount**	**%**	**Amount**	**%**
	(in millions, except percentages)			
Time-and-material basis	$ 302.9	68.3%	$ 170.4	53.9%
Fixed-price basis	140.9	31.7	145.8	46.1
Total	$ 443.8	100.0%	$ 316.2	100.0%

Revenues based on offshore and onsite/offsite

We provide our IT services through a combination of (i) offshore centers located throughout India, (ii) teams working onsite at a customer's location, (iii) nearshore centers located in Canada, China and Hungary to service U.S.-based, Asia Pacific based and Europe based customers, respectively, and (iv) 29 offsite centers in locations in Australia, Brazil, Canada, China, Germany, Hungary, Japan, Korea, Malaysia, Singapore, South Africa, Thailand, United Arab Emirates, the United Kingdom and United States.. Offshore IT services revenues consist of revenues earned both from IT services work conducted at our offshore centers in India as well as onsite work conducted at customers' premises which is related to offshore work. Offshore IT services revenues do not include revenues from our offsite or nearshore centers located outside of India or revenues from onsite work which is not related to any offshore work. These later revenues are included in onsite/offsite revenues.

We generally charge higher rates and incur higher compensation expenses for work performed by our onsite teams at our customer's premises or at our offsite and nearshore centers, as compared to work performed at our offshore centers in India. Services performed by our onsite teams or at our offsite centers typically generate higher revenues per capita, but at a lower gross margin, than the same amount of services performed at our offshore centers in India.

The following table presents our IT services revenues (excluding inter-segment revenues) based on the location where services are performed for the periods indicated:

	Three Months Ended June 30,			
	2007 (unaudited)		2006 (unaudited)	
Location	**Amount**	**%**	**Amount**	**%**
	(in millions, except percentages)			
Offshore	$ 228.7	51.5%	$ 149.1	47.2%
Onsite/Offsite	215.1	48.5	167.1	52.8
Total	$ 443.8	100.0%	$ 316.2	100.0%

Table of Contents

Revenues by top customers

Our top two customers accounted for 10.4% of our IT services' revenues during the three months ended June 30, 2007, as compared to 12.5% of IT services' revenues during the three months ended June 30, 2006 respectively. Our top five customers accounted for 20.6% of IT services' revenues during the three months ended June 30, 2007, as compared to 22.2% of IT services' revenues during the three months ended June 30, 2006.

Revenues based on customer location

We have experienced increasing volumes of business from customers located in United States and Europe, attributable to both new customers and additional business from existing customers. We expect that most of our revenues will be generated in United States followed by Europe in fiscal 2008. The following table gives the composition of our IT services revenues (excluding inter-segment revenues) based on the location of our customers for the periods indicated:

	Three Months Ended June 30,			
	2007 (unaudited)		2006 (unaudited)	
Geographic location	Amount	%	Amount	%
	(in millions, except percentages)			
United States	$ 270.1	60.9%	$ 205.8	65.1%
Europe	89.9	20.3	57.1	18.1
Japan	6.4	1.4	3.5	1.1
India	16.2	3.6	13.7	4.3
Rest of the world	61.2	13.8	36.1	11.4
Total	$ 443.8	100.0%	$ 316.2	100.0%

Expenses

Cost of revenues

Our cost of revenues consists primarily of the compensation cost of technical staff, depreciation on dedicated assets and system and application software costs, amortization of intangibles, travel costs, data communication expenses and other expenses incurred that are related to the generation of revenue.

The principal component of our cost of revenues is the wage cost of our technical associates. Wage cost in India, including in the IT services industry, have historically been significantly lower than wage cost in the United States and Europe for comparably skilled professionals. However, as wages in India increase at a faster rate than in the United States, we may experience increase in our costs of personnel, particularly project managers and other mid-level professionals.

The utilization levels of our technical associates also affect our revenue and gross profits. We calculate utilization levels on a monthly basis, based on the ratio of the actual number of hours billed by technical associates in such month to the total number of billable hours. For purposes of such calculation, we assume that an associate is 100.0% utilized if he or she works 157 hours per month. We manage utilization by monitoring project requirements and timetables. The number of associates assigned to a project will vary according to size, complexity, duration, and demands of the project. Associate utilization levels for IT services were 83.3%, and 85.0% during the three months ended June 30, 2007 and 2006 respectively.

Selling, general and administrative expenses

Selling, general and administrative expenses generally include the compensation costs of sales, management and administrative personnel, travel costs, advertising, business promotion, depreciation on assets, rent, repairs, electricity and other general expenses not attributable to cost of revenues.

Subsidiaries

As of June 30, 2007, we have four wholly-owned subsidiaries, Satyam Technologies Inc., or STI, Satyam Computer Services (Shanghai) Company Limited, or Satyam Shanghai, Citisoft and Knowledge Dynamics as well as one majority owned subsidiary, Nipuna. These five subsidiaries have been consolidated in our consolidated financial statements for the three months ended June 30, 2007.

Citisoft

On May 12, 2005, Satyam Computer Services acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry since 1986. The results of Citisoft's operations have been consolidated by Satyam Computer Services from the consummation date of May 12, 2005. The acquisition has been accounted for by following the purchase method of accounting.

Table of Contents

The consideration for the 75% equity interest in Citisoft amounted to $17.4 million comprising of an initial consideration of $14.3 million (including direct acquisition costs of $0.9 million) and deferred consideration (non-contingent) of $3.1 million. Deferred consideration for the acquisition of the 75% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2006 this has been paid subsequently in June 2006. Satyam Computer Services was also required to pay a maximum earn out consideration amounting to $3.9 million in May 2007 based on achievement of targeted revenues and profits for the year ended April 30, 2007. Since the revenue and profit targets have not been achieved, the earn out consideration is not payable.

Satyam Computer Services had a call option and the minority shareholders had a put option to acquire / sell the balance 25% equity shares in two tranches 12.5% on April 30, 2007 and 12.5% on April 30, 2008. The consideration payable for the first tranche of 12.5% equity shares on April 30, 2007 would amount to $2.8 million and a maximum earn-out consideration amounting to $2.7 million based on achievement of targeted revenues and profits. The consideration payable for the second tranche of 12.5% equity shares on April 30, 2008 would amount to $2.9 million and a maximum earn-out consideration amounting to $4.2 million based on achievement of targeted revenues and profits. Satyam Computer Services recorded the put option at fair value at each balance sheet date, with the initial fair value of the put option included as part of the consideration for its 75.0% interest in Citisoft. The difference between the fair values at each valuation date was charged to selling, general and administration expenses in statement of income. On the basis of an independent valuation, the value of put option was $ Nil and $1.1 million as of May 12, 2005 and March 31, 2006 respectively.

On June 29, 2006, Satyam Computer Services exercised the call option and acquired the remaining 25% equity interest for a deferred consideration of $3.2 million and $3.3 million payable on April 30, 2007 and 2008 respectively and a maximum earn-out consideration of $2.7 million and $4.2 million payable in May 2007 and 2008 respectively based on achievement of targeted revenues and profits for the years ended April 30, 2007 and 2008 respectively. As a result Satyam reversed the put option liability during the year ended March 31, 2007. The acquisition was accounted for as a step purchase of the 25% equity interest, the deferred consideration for the acquisition of the 25% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2007. The deferred consideration of $3.2 million payable on April 30, 2007 has been paid during the three months ended June 30, 2007. Since the revenue and profit targets have not been achieved, the 2007 earn out consideration is not payable.

Satyam Computer Services is also required to fund an Employee Benefit Trust (“EBT”) formed by Citisoft for the purpose of providing additional incentive to employees to contribute to the success of Citisoft. Satyam was required to fund a maximum of $3.4 million and $1.8 million on April 30, 2007 and 2008 respectively, based on achievement of targeted revenues and profits. Satyam Computer Services paid an amount of $2.0 million towards EBT contribution in April 2007.

On June 29, 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders. As per the amendment agreement, Satyam Computer Services is required to pay in July 2007, $3.5 million to the selling shareholders in lieu of the 2008 deferred and earn out consideration and $0.2 million towards EBT contribution in lieu of the 2008 EBT contribution. Satyam Computer Services had accounted for the deferred consideration of $3.3 million as part of purchase consideration and disclosed it as a current liability. Satyam Computer Services has now accounted for $0.4 million in the consolidated statement of income for the three months ended June 30, 2007 as part of cost of revenues and disclosed it as a current liability as of June 30, 2007.

The purchase consideration for acquisition of interest has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management’s estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

		$in millions
	Acquisition of 75% interest	**Acquisition of 25% interest**
Purchase price	**$17.4**	**$ 5.9**
Allocated to:		
Net current assets	2.2	0.7
Tangible assets	0.3	0.1
Customer Contracts related intangibles	0.8	0.3
Customer relationship related intangibles	5.4	0.7
Trade name	0.7	0.1
Goodwill	10.3	4.4
Deferred tax liability	(2.3)	(0.4)
Total	**$17.4**	**$ 5.9**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

Table of Contents

Knowledge Dynamics

On July 21 2005, Satyam Computer Services announced its intention to acquire 100% of the shares of Knowledge Dynamics, a leading Data Warehousing and Business Intelligence Solutions provider. The transaction was consummated on October 1, 2005, the date of transfer of shares to Satyam Computer Services and Satyam Computer Services has consolidated Knowledge Dynamics, from October 1, 2005. The acquisition has been accounted for by following the purchase method of accounting. The consideration for this acquisition amounted to $3.3 million comprising of initial consideration of $1.8 million (including direct acquisition costs of $11 thousand) and deferred consideration (non-contingent) of $1.5 million. The total deferred consideration for the acquisition of $1.5 million has been accounted for as part of the purchase consideration out of which $0.8 million has been paid during the year ended March 31, 2007 and $0.7 million has been disclosed as a current liability in the consolidated balance sheet as of March 31, 2007 and has been subsequently paid in April 2007. Satyam Computer Services was also required to pay a maximum earn out consideration amounting to $1.1 million and $1.1 million on April 30, 2007 and 2008 respectively based on the achievement of targeted revenues and profits from the date of acquisition upto April 30, 2007 and 2008 respectively. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved. Since the revenue and profit targets have not been achieved, the 2007 earn out consideration is not payable. During the three months ended June 30, 2007, Satyam Computer Services paid an amount of $0.8 million towards deferred consideration payable in April 2007.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

	$in millions
Purchase price	**$ 3.3**
Allocated to:	
Net current assets	$ 0.5
Customer Contracts and Related Relationships	1.0
Trade name	0.1
Goodwill	2.1
Deferred tax liability	(0.4)
Total	**$ 3.3**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

Preferred Stock of Subsidiary

Nipuna issued 45,669,999 and 45,340,000 0.05% convertible redeemable cumulative preference shares of par value Rs 10 ($0.23) per share in October 2003 and June 2004 respectively to the investors at an issue price of Rs.10 ($0.23) per share, in exchange for an aggregate consideration of $20 million.

As per the agreement, these preference shares were mandatorily convertible into equity shares of Nipuna no later than June 2006, if Nipuna achieved certain targets for revenues and profits earned up to March 31, 2006. If these targeted revenues and profits were not achieved by Nipuna along with other triggering events, the investors had an option to either redeem these preference shares or convert them. Although certain triggering events for early redemption as per the agreement occurred during the period January 2004 to December 2004 the investors waived the right of early redemption. Further Nipuna has not achieved the targeted revenues and profits upto March 2006.

If not converted, early converted or redeemed, these convertible preference shares were redeemable on maturity in June 2007 at a redemption premium, which could range between 7.5% to 13.5% p.a. The Investors are entitled to receive dividends at the rate of 0.05% per cent per annum, on the face value of Rs. 10 ($0.23) from the date of issuance of such Preference Shares. The dividends are cumulative and payable in cash at the rate indicated above, whether or not they have been declared and whether or not there are profits, surplus or other funds of Nipuna legally available for the payment of dividends. These preference shares rank senior to all classes of Nipuna's currently existing capital stock or established subsequently with respect to dividend distributions and repayment of capital and premium upon a Bankruptcy Event or Change in Control with respect to Nipuna, unless the terms and conditions of such class expressly provide that such class will rank senior to or on parity with the convertible redeemable cumulative preference shares. The dividend on the preference shares for the period ended June 30, 2007 is payable.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement ("SPRA Agreement") was entered into between Satyam, the Investors and Nipuna. Out of the total preference shares, 50% of the preference shares ($10 million) would be redeemed for $13.6 million at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. Since 50% of the Preference Shares are mandatorily redeemable, Satyam has reclassified 50% of the preference shares as a current liability measured at fair value and accrued redemption premium amounting to $3.6 million up to March 31, 2007.

Further as per the SPRA Agreement, Satyam agrees to purchase and the Investors agree to sell these equity shares at an aggregate purchase price based on a formula. If the share purchase closing occurs on or before the share purchase target date

Table of Contents

(May 21, 2007) then the purchase price would range from a minimum of $35 million to maximum of $45 million, however if an acceleration event occurs the purchase price would equal $45 million. If the share purchase closing occurs after the share purchase target date then the purchase price shall not be less than $35 million however if an acceleration event occurs the purchase price shall not be less than $45 million. This is subject to fulfillment of terms and conditions specified in the agreement and obtaining necessary approvals from appropriate authorities. As of March 31, 2007 an acceleration event has occurred.

The forward contract is freestanding and has been accounted for under SFAS 150 and hence the issuance of Nipuna's equity shares has been considered as a minority interest. The Investors gave Nipuna a Notice of Conversion of Preference Shares and in January 2007 preference shares amounting to $10 million have been converted into 6,422,267 equity shares of Nipuna. Due to the issue of shares by Nipuna Satyam Computer Services' ownership interest in Nipuna was reduced from 100.0% as at March 31, 2006 to 74.0% as at March 31, 2007. The shares issued to the Investors are at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of $7.9 million, net of taxes during the year ended March 31, 2007 has been recorded as an increase in additional paid in capital. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam's consolidated statement of income. The Investors holding in Nipuna has been accounted for as a minority interest.

The forward contract has a zero fair vale at inception and at balance sheet date since as per regulatory requirements the transaction can take place only at fair value. Upon settlement of the forward the acquisition of the minority interest would be reflected as a step acquisition with a corresponding reduction in minority interest. As of June 30, 2007, the share purchase closing has not taken place.

Income Taxes

Effective April 1, 2007, Satyam adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 ("FIN 48"). The Interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption did not have a material impact on our financial position, cash flows, or results of operations.

The statutory corporate income tax rate in India is currently 30.0%. This tax rate is presently subject to a 10.0% surcharge. The amount of tax and surcharge payable is further subject to a 3.0% education cess, resulting in an effective tax rate of 33.99%. The provision for foreign taxes is due to income taxes payable in overseas tax jurisdictions by our offsite, nearshore and onsite centers, principally in the United States. We benefit from tax incentives provided to software entities as an exemption from payment of Indian corporate income taxes until the earlier of fiscal 2009 or 10 consecutive years of operations of software development facilities designated as "Software Technology Parks," or STP units. The benefits of this tax incentive have historically resulted in our effective tax rate being well below statutory rates. The exemption for two of our STP units in Hyderabad and one in Bangalore expired at the beginning of fiscal 2006 and one in Hyderabad, Chennai, Pune and Bhubaneswar expired at the beginning of fiscal 2007 and the exemption for balance of our STP units will expire in fiscal 2008 and fiscal 2009. We also earn certain other foreign income and domestic income, which are taxable irrespective of the tax holiday as stated above.

Our subsidiaries are subject to income taxes of the countries in which they operate. Our subsidiaries' operating loss carried forward for tax purposes amounted to approximately $40.3 million as of June 30, 2007, which is available as an offset against future taxable income of such entities. These carried forward amounts expire at various dates primarily over eight to twenty years. Realization is dependent on such subsidiaries generating sufficient taxable income prior to expiration of the loss carried forward. A valuation allowance is established attributable to deferred tax assets and losses carried forward in subsidiaries where, based on available evidence, it is more likely than not that they will not be realized. Currently, a full valuation allowance has been made for such losses since we believe that our subsidiaries will not generate sufficient taxable income prior to expiration of carry forwards and under Indian regulations we are not allowed to file a consolidated tax return.

Table of Contents

RESULTS OF OPERATIONS

The following table sets forth operating data in dollars and as a percentage of revenues for the years indicated:

Statement of Operations Data:	Three months ended June 30, 2007 (unaudited) Amount	%	2006 (unaudited) Amount	%
	(In millions, except percentages)			
Revenues:				
IT services	$ 444.1	98.2%	$ 316.3	98.1%
BPO	11.8	2.6	8.0	2.5
Inter-segment	(3.6)	(0.8)	(1.8)	(0.6)
Total revenues	452.3	100.0	322.5	100.0
Cost of revenues: (1)				
IT services	(282.2)	(62.4)	(201.5)	(62.5)
BPO	(10.4)	(2.3)	(5.8)	(1.8)
Inter-segment	3.4	0.8	1.8	0.6
Total cost of revenues	(289.2)	(63.9)	(205.5)	(63.7)
Gross profit:				
IT services	161.9	35.8	114.8	35.6
BPO	1.4	0.3	2.2	0.7
Inter-segment	(0.2)	—	—	—
Total gross profit	163.1	36.1	117.0	36.3
Operating expenses:				
Selling, general and administrative expenses: (2)				
IT services	(69.9)	(15.5)	(47.7)	(14.8)
BPO	(3.4)	(0.8)	(2.4)	(0.7)
Inter-segment	0.3	0.1	—	—
Total selling, general and administrative expenses	(73.0)	(16.1)	(50.1)	(15.5)
Operating income/(loss):				
IT services	92.0	20.3	67.1	20.8
BPO	(2.0)	(0.4)	(0.2)	(0.1)
Inter-segment	0.1	—	—	—
Total operating income/(loss)	90.1	19.9	66.9	20.7
Interest income	16.4	3.6	6.5	2.0
Interest expense	(0.8)	(0.2)	(0.6)	(0.2)
Gain/ (loss) on foreign exchange transactions	(22.9)	(5.1)	14.7	4.6
Gain/(Loss) on foreign exchange forward and option contracts	22.1	4.9	(4.9)	(1.5)
Income before income taxes and equity in earnings/(losses) of associated companies	104.9	23.2	82.6	25.6
Income taxes	(11.8)	(2.6)	(7.3)	(2.2)
Minority interest	—	—	—	—
Equity in earnings/(losses) of associated companies, net of taxes	—	—	0.2	0.1
Net income	$ 93.1	20.6	$ 75.5	23.4
Depreciation	9.3	2.1	$ 7.9	2.4
Stock-based compensation	5.9	1.3	3.6	1.1

(1) Inclusive of stock-based compensation expenses of \$2.7 million, \$3.4 million for the three months ended June 30, 2007 and 2006 respectively in the IT services segments.

(2) Inclusive of stock-based compensation expenses of \$3.2 million, \$0.2 million for the three months ended June 30, 2007 and 2006 respectively, in the IT services segments.

Table of Contents

Comparison of results for the three months ended June 30, 2007 and June 30, 2006.

Revenues. Our revenues increased by 40.0% to $452.3 million during the three months ended June 30, 2007 from $322.5 million during the three months ended June 30, 2006. This revenue growth of $129.8 million during the three months ended June30, 2007 was primarily the result of an increase in business both from existing customers and new customers. Revenues from existing customers increased by 43.5% to $393.8 million during the three months ended June 30, 2007 from $274.5 million during the three months ended June 30, 2006. Revenues from new customers increased by 20.2% to $50.0 million in during the three months ended June 30, 2007 from $41.7 million during the three months ended June 30, 2006. We added 29 customers including 2 from the Fortune Global 500 and Fortune U.S. 500 list and 34 during the three months ended June 30, 2007 and 2006, respectively.

During the three months ended June 30, 2007, revenues (IT services excluding inter-segment revenues) from consulting and enterprise business solutions increased by $68.8 million, revenues from application development and maintenance increased by $39.7 million, followed by extended engineering solutions and infrastructure management services, increased by $14.2 million and $4.9 million respectively. In terms of percentage growth during the three months ended June 30, 2007 over the three months ended June 30, 2006, revenues from consulting and enterprise solutions has grown by 53.3%, application development and maintenance services has grown by 26.0%, extended engineering solutions and infrastructure management services have grown by 77.6% and 30.1%, respectively.

Revenues from IT services (excluding inter-segment revenues) provided on a time-and-materials basis increased to 68.2% during the three months ended June 30, 2007 from 53.9% during the three months ended June 30, 2006. Revenues from IT services provided on a fixed-price basis decreased to 31.8% during the three months ended June 30, 2007 from 46.1% during the three months ended June 30, 2006.

The onsite revenues increased as a result of new engagements in consulting and enterprise business solutions during the three months ended June 30, 2007, and the need for extensive interactions with customers in the early stages of new engagements to understand their business needs and create the relevant processes before we move the appropriate portion of the work offshore.

Of the total increase of $129.8 million in total revenues during the three months ended June 30, 2007, $72.5 million is due to increased business in the United States, $30.4 million in Europe, $25.1 million in rest of the world and $2.9 million in Japan, however the same has been offset by decrease in revenues by $1.1 million in India. Our increased business in the United States and Europe was due to new customers and additional business from existing customers.

Cost of Revenues. Cost of revenues increased by 40.7% to $289.2 million during the three months ended June 30, 2007 from $205.6 million during the three months ended June 30, 2006. Cost of revenues represented 63.9% of revenues during the three months ended June 30, 2007 and 63.7% during the three months ended June 30, 2006. This increase by $83.6 million was attributable primarily to increases in associate compensation and benefits expenses, traveling expenses, communication expenses, depreciation and other expenses, attributable largely to an overall increase in our business during this period. Associate compensation and benefits expenses increased by 44.0% to $226.1 million, or 50.0% of revenues, during the three months ended June 30, 2007 from $157.0 million, or 48.7% of revenues, during the three months ended June 30, 2006. The increase in the associate compensation and benefits is due to: (i) revision of salaries on July 1, 2006 to the associates (ii) increase in the total number of technical associates by 11,602 to 39,452 as of June 30, 2007 from 27,850 as of June 30, 2006. (iii) increase in number of onsite technical associates by 1,949 to 7,690 as of June 30, 2007 from 5,741 as of June 30, 2006, for which we pay a higher compensation and (iv) salary incentives amounting to $7.3 million given to technical associates during the three months ended June 30, 2007 as compared to $3.1 million during the three months ended June 30, 2006. Traveling expenses increased by 57.7% to $24.6 million, or 5.4% of revenues, during the three months ended June 30, 2007 from $15.6 million or 4.8% of revenues, during the three months ended June 30, 2006. This increase was primarily due to increase in the number of travels resulting from increase in the number of technical associates. Communication expenses increased by 33.3% to $4.4 million or 1.0% of revenues during the three months ended June 30, 2007 from $3.3 million, or 1.0% of revenues during the three months ended June 30, 2006. This increase was primarily due to increase in number of locations of operations, both in India and abroad. Depreciation expense increased by 20.6% to $8.2 million, or 1.8% of revenues, during the three months ended June 30, 2007 from $6.8 million, or 2.1% of revenues during the three months ended June 30, 2006. Other expenses comprised mainly of rent, power and fuel and maintenance expenses. Other expenses increased by 19.0% to $23.2 million, or 5.1% of revenues, during the three months ended June 30, 2007 from $19.5 million, or 6.1% of revenues during the three months ended June 30, 2006.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by 45.7% to $73.0 million during the three months ended June 30, 2007 from $50.1 million during the three months ended June 30, 2006. Selling, general and administrative expenses represented 16.1% of revenues during the three months ended June 30, 2007 and 15.5% of revenues during the three months ended June 30, 2006. This increase of $22.9 million during the three months ended June 30, 2007 was a result primarily of increase in associate compensation and benefits for non-technical associates, communication expenses, and traveling expenses. Associate compensation and benefits increased by 37.3% to $36.8 million, or 8.1% of revenues, during the three months ended June 30, 2007 as compared to $26.8 or 8.3% of revenues during the three months ended June 30, 2006 primarily on account of (i) revision of salaries on July 1, 2006 to the associates and (ii) increase in number of non-technical associates by 384 to 2,377 as of June 30, 2007 from 1993 as of June 30, 2006. Traveling expenses increased by 16.1% to $7.2 million or 1.6% of revenues during the three months ended June 30, 2007 from $6.2 million or 1.9% of revenues during the three months ended June 30, 2006. Professional charges increased by 91.4% to $6.7 million or 1.5% of revenues during the three

Table of Contents

months ended June 30, 2007 from $3.5 million or 1.1% of revenues during the three months ended June 30, 2006. Communication expenses increased by 44.4% to $2.6 million or 0.6% of revenues during the three months ended June 30, 2007 as compared to $1.8 million or 0.6% of revenues during the three months ended June 30, 2006. Stock-based compensation expenses increased to $3.2 million, or 0.7% of revenues, during the three months ended June 30, 2007 from $0.2 million, or 0.1% of revenues during the three months ended June 30, 2006 due to adoption of SFAS 123R effective from April 1, 2006. Other expenses comprised primarily of power and fuel, rent, marketing, repairs and maintenance and advertisement expenses. Other expenses increased by 69.6% to $29.0 million or 6.4% of revenues during the three months ended June 30, 2007 from $17.1 million, or 5.3% of revenues during the three months ended June 30, 2006.

Operating income. Our operating income was $90.1 million during the three months ended June 30, 2007, representing an increase of 34.7% over the operating income of $66.9 million during the three months ended June 30, 2006. As a percentage of revenues, operating income was 19.9% during the three months ended June 30, 2007, as compared to 20.7% of revenues during the three months ended June 30, 2006.

Interest income. Interest income increased by 152.0% to $16.4 million during the three months ended June 30, 2007 from $6.5 million during the three months ended June 30, 2006. This increase in interest income was primarily due to increase in bank deposits.

Gain/(loss) on foreign exchange transactions. Our revenues generated in U.S. dollars were 73.3% and 77.9% of total revenues during the three months ended June 30, 2007 and 2006, respectively. The average exchange rate of Indian rupee to U.S. dollar during the three months ended June 30, 2007 was Rs. 41.06 against Rs. 45.30 during the three months ended June 30, 2006. As at June 30, 2007, the Indian rupee appreciated to Rs. 40.58 against Rs. 43.10 at March 31, 2007. As at June 30, 2006, the Indian rupee depreciated to Rs. 45.87 against 44.48 at March 31, 2006. As a result of these fluctuations in exchange rates during three months ended June 30, 2007 and June 30, 2006, loss on foreign exchange transactions was $(22.9) million during the three months ended June 30, 2007 as compared to a gain of $14.7 million during the three months ended June 30, 2006.

Gain/(Loss) on foreign exchange forward and option contracts. Gain on foreign exchange forward and option contracts were $22.1 million during the three months ended June30, 2007, as compared to loss on foreign exchange forward and option contracts were $(4.9) million during the three months ended June 30, 2006. The increase in the gain/(loss) on foreign exchange forward and option contracts is primarily on account of gain on forward and options contracts due to rupee appreciation to Rs 40.58 as on June 30, 2007 from Rs 43.10 as on March 31, 2007 and as on June 30, 2007 rupee depreciated to Rs.45.87 from Rs.44.48 as on March 31, 2006.

Income taxes. Income taxes were $11.8 million during the three months ended June 30, 2007, representing an increase of 61.6% from $7.3 million during the three months ended June 30, 2006. The expiry of tax exemption benefit for seven of our STP units resulted in an increase in income taxes by $6.2 million during the three months ended June 30, 2007 as compared to the expiry of tax exemption benefit for two of our STP units in Hyderabad and one unit in Bangalore by $1.7 million during the three months ended June 30, 2006, which is offset by decrease in income of foreign branches primarily on account of rupee appreciation.

Equity in earnings/(losses) of associated companies, net of taxes. Equity in earnings/(losses) of associated companies was $Nil million during the three months ended June 30, 2007 as compared to $0.2 million during the three months ended June 30, 2006. Equity in earnings/(losses) of Satyam Venture Engineering Services Private Limited, or Satyam Venture, CA Satyam ASP Private Limited, or CA Satyam amounted to $0.02 million, $(0.02) million respectively, during the three months ended June 30, 2007 as compared to $0.21 million, and $(0.01) million, respectively, during the three months ended June 30, 2006.

Net income. As a result of the foregoing, our net income was $93.1 million during the three months ended June 30, 2007, representing an increase of 23.3% over net income of $75.5 million during the three months ended June 30, 2006. As a percentage of total revenues, net income decreased to 20.6% during the three months ended June 30, 2007 from 23.4% during the three months ended June 30, 2006.

Liquidity and Capital Resources

Net cash provided by operating activities

Net cash provided by operating activities was $44.7 million and $71.8 million during the three months ended June 30 2007 and 2006 respectively.

During the three months ended June 30, 2007, non-cash adjustments to reconcile $93.1 million net income to net cash used in operating activities consisted primarily of depreciation and amortization expense of $9.6 million, stock-based compensation expense of $5.9 million and increase in net accounts receivable and unbilled revenues. Net accounts receivable and unbilled revenues increased by $27.8 million primarily as a result of an increase in our revenues and increase in collection period. Accounts payable and accrued expenses increased by $17.5 million primarily on account of increase in provision for gratuity and unutilized leave by $7.8 million and increase in provision for taxation net of payments by $12.4 million.

During the three months ended June 30, 2006, non-cash adjustments to reconcile the $75.5 million net income to net cash used

Table of Contents

in operating activities consisted primarily of depreciation and amortization expense of $8.1 million, stock-based compensation expense of $3.6 million and increase in net accounts receivable and unbilled revenues $17.1 million. Net accounts receivable and unbilled revenues increased by $81.9 million primarily as a result of an increase in our revenues. Accounts payable and accrued expenses increased by $11.1 million primarily on account of accrued compensation and benefits of $7.5 million and increase in provision for gratuity and unutilized leave by $5.7 million.

Net cash used in investing activities

Net cash used in investing activities was $25.5 million and $17.8 million during the three months ended June 30, 2007 and 2006 respectively.

Net cash used in investing activities during the three months ended June 30, 2007 increased by $7.7 million to $25.5 million from $17.8 million during the three months ended June 30, 2006. This increase in net cash used in investing activities was primarily due to purchase of premises, plant and equipment of $21.6 million during the three months ended June 30, 2007 due to expansion of new facilities at Bangalore, Chennai, Hyderabad and Visakhapatnam and $3.4 million payment of deferred consideration to Citisoft Plc.

Net cash used in investing activities during the three months ended June 30, 2006 decreased by $5.4 million to $17.8 million from $23.2 million during the three months ended June 30, 2005. This decrease in net cash used in investing activities was primarily due to acquisition of Citisoft during the three months ended June 30, 2005 amounting to $11.9 million, offset by increase in purchase of premises, plant and equipment to $13.9 million during the three months ended June 30, 2006 from $11.4 million during the three months ended June 30, 2005 due to purchase of premises and equipment, primarily infrastructure, computers and other equipment associated with the expansion of new facilities at Bangalore, Chennai, Hyderabad and Visakhapatnam.

Net cash provided by financing activities

Net cash provided by financing activities was $7.0 million and $13.4 million during the three months ended June 30, 2007 and 2006 respectively.

Net cash provided by financing activities during the three months ended June 30, 2007, decreased by $6.4 million to $7.0 million from $13.4 million during the three months ended June 30, 2006. We received cash from short term debt by Nipuna of $11.1 million. We used cash in repayment of loans amounting to $5.2 million.

During the three months ended June 30, 2006, $13.4 million was raised from financing activities. We received cash from issuance of associate stock options of $10.2 million, $0.5 million from short term debt by Nipuna and $3.0 million from long term debts by Nipuna. We used cash in repayment of loans amounting to $0.5 million.

As of June 30, 2007, we had cash and cash equivalents of $187.5 million, U.S. dollar denominated loans of Nipuna amounting to $21.1 million, short term borrowings of Nipuna amounting to $18.4 million and hire purchase loans amounting to $4.5 million with maturities ranging from one to three years. As of June 30, 2007, we had an unused working capital line of credit of $2.4 million from banks and unused non-funded lines of credit of $17.9 million from banks.

The following table describes our outstanding credit facilities as of June 30, 2007

Loan Type	Lenders	Amount outstanding	Interest (per annum)	Computation method
	(dollars in millions)			
Working capital term loan	BNP Paribas	$ 10.6	6 month LIBOR +0.95%	Floating
External commercial borrowing	BNP Paribas	10.5	6 month LIBOR +0.95%	Floating
Overdraft facility	BNP Paribas	18.4	6 month LIBOR +0.25%	Floating
Other loans	Various other parties	4.5	3.0%-14.5%	Fixed
Total		**$ 44.0**		

We have incurred $21.6million during three months ended June 30, 2007 and we anticipate capital expenditure of approximately $100.0 million in fiscal 2008, principally to finance construction of new facilities in our offshore centers, expand facilities in offshore centers in India and establish offsite centers outside India. We believe that existing cash and cash equivalents and funds generated from operations will be sufficient to meet these requirements. However, we may significantly alter our proposed capital expenditures plans and accordingly, may require additional financing to meet our requirements. In either case, we cannot assure you that additional financing will be available at all or, if available, that such financing will be obtained on terms favorable to us or that any additional financing will not be dilutive to our shareholders.

We have guaranteed payment of all sums payable by Nipuna to the Investors on redemption of the 0.05% cumulative convertible redeemable preference shares. We, Nipuna and the investors had also entered into a warrant agreement whereby Nipuna agreed to issue to the Investors, one warrant in consideration of and based upon every $0.1 million referral revenues received by Nipuna or its subsidiaries. As of June 30, 2007, there were no referral revenues and hence no warrants have been issued.

Table of Contents

The following table sets forth our contractual obligations and commitments to make future payments as of June 30, 2007. The following table excludes our accounts payable, accrued operating expenses and other current liabilities which are payable in normal course of operations.

	Payments due as at June 30, 2007, (dollars in millions)				
	Within 1 year	1-3 years	3-5 years	After 5 Years	Total
Long-term debt	$ 2.0	$ 23.5	$ 0.2	—	$ 25.7
Operating leases	4.0	2.9	0.6	0.6	8.1
Unconditional purchase obligations:					
Other commercial commitments	48.4	—	—	—	48.4
Bank guarantees	10.0	1.1	7.2	5.4	23.7
Letter of Credit	—	—	—	—	—
Gratuity Plan	2.1	5.2	8.2	19.2	34.7
Nipuna 0.05% Cumulative convertible redeemable preference shares	13.6	—	—	—	13.6
Knowledge Dynamics earn-out consideration (1)	1.1	—	—	—	1.1
Total contractual cash obligations.	**$ 81.2**	**$ 32.7**	**$ 16.2**	**$ 25.2**	**$ 155.3**

(1) Earn-out consideration of Knowledge Dynamics is based on certain conditions.

(2) We anticipate to incur capital expenditure of $100.0 million in fiscal 2008.

Based on past performance and current expectations, we believe that our cash and cash equivalents and cash generated from operations will satisfy our working capital needs, capital expenditures, investment requirements, stock repurchases, commitments, and other liquidity requirements associated with our existing operations through at least the next 12 months. In addition, there are no transactions, arrangements, and other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect liquidity or the availability of our requirements for capital resources.

Research and Development

Our research and development efforts are focused on developing services required by our existing customers, to attract new customers and developing competencies and leadership in our service offerings. We have established close alliances with U.S. and Indian institutions such as Carnegie Mellon University and Indian Institute of Technology, Madras to strengthen our technology competencies. We have set up an enterprise business solution laboratory where latest versions of products are evaluated; business solution scenarios are created and validated. We have set up a grid computing laboratory which simulates a live grid environment for testing sample applications on the grid. We have also established a data warehousing and business intelligence center which has developed proprietary business intelligence architectural platform which enables us to build large scale data warehousing and business intelligence solutions. We are also working with major technology providers in the areas of technology architectures for .NET for solutions for various industries. In the embedded systems space, we have created an environment to simulate various operating conditions and validate the solutions we build. We have an applied research group which focuses on creating IP in the areas of competition, communication, networking and information processing algorithms. In addition to presenting papers at international conferences and publishing in referenced journals, this group has over 16 United States patent applications in various stages of registration. During the three months ended June 30, 2007 and 2006 we spent 0.02% and 0.03 % of our total revenues on research and development activities, respectively and 0.03% of total revenues for the year ended March 31, 2007.

Stock-based Compensation

Effective April 1, 2006, Satyam adopted the fair value recognition provisions of Statement of Financial Accounting Standards (“SFAS”) No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”). Prior to the adoption of SFAS 123R, Satyam recognized stock-based compensation using the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, *“Accounting for Stock Issued to Employees”*, and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25,* issued in March 2000 to account for its employee stock-based compensation plan. Satyam has therefore adopted the pro-forma disclosure requirements of SFAS No. 123, *“Accounting for Stock-Based Compensation”* and SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123*. Pursuant to SFAS No. 123, all equity instruments issued to non-employees are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. In March 2005, the Securities and Exchange Commission (the “SEC”) issued Staff Accounting Bulletin No.107 (“SAB 107”) regarding the SEC’s interpretation of SFAS 123R and the valuation of share-based payments for public companies. Satyam has applied the provisions of SAB 107 in its adoption of SFAS 123R.

Satyam adopted SFAS 123R using the modified prospective transition method, which required the application of the accounting standard as of April 1, 2006, the first day of Satyam’s fiscal year 2007. Under this transition method, stock-based compensation expensed for the year ended March 31, 2007 includes a) compensation expense for all stock-based compensation awards granted

Table of Contents

prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123") and b) Stock-based compensation expenses for all stock-based compensation awards granted after April 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

We have five associate stock option plans. See "Item 6. Directors, Senior Management and Employees - Employee Benefit Plans" of our Form 20-F for the year ended March 31, 2007 filed with the SEC for more information.

Satyam's Consolidated Financial Statements as of and for the three months ended June 30, 2007 reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. As required by SFAS 123(R), management has made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. Upon adoption of SFAS 123R, Satyam had no cumulative adjustment on account of expected forfeitures for stock-based awards granted prior to April 1, 2006. During the three months ended June 30, 2007, Satyam recorded stock-based compensation related to stock options of $5.9 million on a graded vesting basis for all unvested options granted prior to and options granted after the adoption of SFAS 123(R).

The fair value of each option award is estimated on the date of grant using the Black Scholes option-pricing model. The following table gives the weighted-average assumptions used to determine fair value:

	Three months ended June 30,	
	2007 (unaudited)	**2006 (unaudited)**
Dividend yield	0.78%	0.85%
Expected volatility	56.64%	56.86%
Risk-free interest rate	7%	7%
Expected term (in years)	1.14	1.14

Expected Term: The expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior.

Risk-Free Interest Rate: The risk-free interest rate is based on the applicable rates of government securities in effect at the time of grant.

Expected Volatility: The fair values of stock-based payments were valued using a volatility factor based on the Company's historical stock prices.

Expected Dividend: The Black Scholes option-pricing model calls for a single expected dividend yield as an input.

Estimated Pre-vesting Forfeitures: When estimating forfeitures, the Company considers voluntary termination behavior. Estimated forfeiture rates are trued-up to actual forfeiture results as the stock-based awards vest.

Effect of recently issued accounting pronouncements

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 ("FIN 48"). The Interpretation clarifies the accounting for uncertainty in income taxes recognized in a Company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, which is April 1, 2007 for us. The differences, if any between the amounts recognized in the statements of financial position prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. The adoption did not have a material impact on our financial position, cash flows, or results of operations.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commencing April 1, 2008 for us. We are in the process of evaluating the impact SFAS 157 will have on our financial position, results of operations, liquidity and its related disclosures.

In February 2007, the FASB issued FASB Statement 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 allows the company to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commencing April 1, 2008 for us. We are in the

Table of Contents

process of evaluating the impact SFAS 159 will have on our financial position, results of operations, liquidity and its related disclosures.

Effects of Inflation

India has experienced relatively high rates of inflation in the past however it has not had a significant effect on our results of operations and financial condition to date.

Exchange Rates

The following table sets forth, for each of the months indicated, information concerning the number of Indian rupees for which one U.S. dollar could be exchanged based on the average of the noon buying rate in the City of New York on the last day of each month during each of such months for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York:

Month	Month end	Average	High	Low
	(Rupees)			
April-06	44.86	44.82	45.09	44.39
May-06	46.22	45.20	46.22	44.69
June-06	45.87	45.89	46.25	45.50
July-06	46.49	46.37	46.83	45.84
August-06	46.43	46.45	46.61	46.32
September-06	45.95	46.01	46.38	45.74
October-06	44.90	45.36	45.97	44.90
November-06	44.59	44.73	45.26	44.46
December-06	44.11	44.48	44.70	44.11
January-07	44.07	44.21	44.49	44.07
February-07	44.08	44.02	44.21	43.87
March-07	43.10	43.79	44.43	42.78
April-07	41.42	42.02	43.59	40.73
May-07	40.78	40.57	41.42	40.48
June-07	40.58	40.59	40.90	40.27

RISK MANAGEMENT POLICY

Our functional currency is the Indian rupee, however we transact a major portion of our business in U.S. dollars and other currencies and accordingly face foreign currency exposure from our sales in the United States and elsewhere and from our purchases from overseas suppliers in U.S. dollars and other currencies. Accordingly, we are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future.

We manage risk on account of foreign currency fluctuations through treasury operations. Our risk management strategy is to identify risks we are exposed to, evaluate and measure those risks, decide on managing those risks, regular monitoring and reporting to management. The objective of our risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater predictability and stability. Our risk management policies are approved by senior management and include implementing hedging strategies for foreign currency exposures, specification of transaction limits; specifying authority and responsibility of the personnel involved in executing, monitoring and controlling such transactions.

We enter into foreign exchange forward and options contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in U.S. dollars. We enter into foreign exchange forward and options contracts where the counter party is generally a bank. We consider the risks of non-performance by the counter party as non-material. These contracts mature between one and nine months. These contracts do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS No. 133, is marked to market and recognized in earnings.

Table of Contents

The following tables give details in respect of our outstanding foreign exchange forward and options contracts:

	As at June 30, 2007 Amount	As at June 30, 2006 Amount
	(dollars in millions)	
Aggregate contracted principal amounts of contracts outstanding:		
Forward contracts	$ 172.0	$ 74.0
Options contracts	571.6	124.0
Total	**$ 743.6**	**$ 198.0**
Gains/(loss) on outstanding contracts:		
Forward contracts	$ 11.8	$ (1.1)
Options contracts	14.3	(4.6)
Total	**$ 26.1**	**$ (5.7)**

Gains/(losses) on foreign exchange forward and options contracts included in the statement of income and are as stated below:

	Three months ended June 30, 2007 Amount (unaudited)	Three months ended June 30, 2006 Amount (unaudited)
	(dollars in millions)	
Forward contracts	$ 9.5	$ (1.8)
Options contracts	12.6	(3.1)
Total	**$ 22.1**	**$ (4.9)**

Off-Balance Sheet Arrangements

We currently do not engage in any off-balance sheet arrangements.

Foreign Currency Transactions/ Translation

During the three months ended June 30, 2007 and 2006, 73.3% and 77.9%, respectively, of our total revenues were generated in U.S. dollars. A significant amount of our expenses were incurred in Indian rupees and the balance was primarily incurred in U.S. dollars, European currencies and Japanese yen. Our functional currency and the functional currency for our subsidiaries located in India is the Indian rupee; however, U.S. dollar, Pound Sterling, Singapore Dollar and Renminbi are the functional currencies of our foreign subsidiaries located in the United States, United Kingdom, Singapore and China respectively. The translation of such foreign currencies into U.S. dollars (our reporting currency) is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using monthly simple average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income, a separate component of shareholders' equity.

We expect that a majority of our revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in Indian rupees. Consequently, our results of operations will be affected to the extent the rupee appreciates/ depreciates against the U.S. dollar.

The average exchange rate of rupee to U.S. dollar during the three months ended June 30, 2007 was Rs. 41.06 against Rs. 44.86 during the three months ended June 30, 2006. As at June 30, 2007, the rupee appreciated to Rs. 40.58 against Rs. 45.87 as at June 30, 2006 and against Rs. 43.10 as at March 31, 2007. As at June 30, 2006, the rupee depreciated to Rs. 45.87 against Rs. 44.48 as at March 31, 2006. As a result, loss on foreign exchange transactions was $22.9 million during the three months ended June 30, 2007 as compared to a gain of $14.7 million during the three months ended June 30, 2006.

Risk Factors

The following factors together with the other information contained in this Quarterly Report and other reports and documents submitted to, or filed with, the SEC, could affect our results. If any of the following risks actually occur, our company could be seriously harmed and the market price of our ADSs could decline.

Risks Related to Our Overall Operations

Our revenues and profitability are difficult to predict and can vary significantly from period to period which could cause our share price to decline significantly.

Our revenues and profitability have grown rapidly in recent years and may fluctuate significantly in the future from period to period. Therefore, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as an indication of our future performance. The quarterly fluctuation of revenues is primarily because we derive our revenues from fees for services generated on a project-by-project basis. Our projects vary in size, scope and

Table of Contents

duration. For example, we have some projects that employ several people for only a few weeks and we have other projects that employ over 100 people for six months or more. A customer that accounts for a significant portion of our revenue in a particular period may not account for a similar portion of our revenue in future periods. In addition, customers may cancel contracts or defer projects at any time for a number of different reasons. Furthermore, increasing wage pressures, employee attrition, pressure on billing rates, the time and expense needed to train and productively utilize new employees and changes in the proportion of services rendered offshore can affect our profitability in any period. There are also a number of factors, other than our performance, that are not within our control that could cause fluctuations in our operating results from period to period. These include (i) the duration of tax holidays or tax exemptions and the availability of other GoI incentives; (ii) currency fluctuations, particularly when the rupee appreciates in value against the U.S. dollar, since the majority of our revenues are in U.S. dollars and a significant part of our costs are in rupees; and (iii) other general economic and political factors. As a result, our revenues and our operating results in a particular period are difficult to predict, may decline in comparison to corresponding prior periods regardless of the strength of our business. If this were to occur, the share price of our equity shares and our ADSs would likely decline significantly.

Any inability to manage our rapid growth could disrupt our business and reduce our profitability.

We have experienced significant growth in recent periods. Our total revenues for the three months ended June 30, 2007 increased by 40.3% as compared to the three months ended June 30, 2006, and in fiscal 2007 our total revenues increased by 33.3% as compared to fiscal 2006. As of June 30, 2007, we had 41,829 associates, whom we refer to as associates, worldwide as compared to 29,843 associates as of June 30, 2006. In addition, we are continuing our geographical expansion. We have offshore facilities in India and overseas facilities located in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States. In addition, we have sales and marketing offices located in Canada, Germany, Italy, the Netherlands, Spain, Sweden, United Kingdom and United States and sales and marketing offices located in the rest of the world. We have incurred $21.6 million of capital expenditure during the three months ended June 30, 2007 and $81.5 million in fiscal 2007, and in fiscal 2008 we expect to incur capital expenditure of approximately $100.0 million to finance the construction of new facilities and the expansion of our existing facilities in our offshore centers and to establish offsite centers outside of India.

We expect our growth to place significant demands on our management and other resources and to require us to continue to develop and improve our operational, financial and other internal controls, both in India and elsewhere. In particular, continued growth increases the challenges involved in:

- recruiting and retaining sufficiently skilled technical, marketing and management personnel;
- providing adequate training and supervision to maintain our high quality standards;
- preserving our culture and values and our entrepreneurial environment; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

Our inability to manage our growth effectively could disrupt our business and reduce our profitability.

The current economic environment, pricing pressure and rising wages in India have negatively impacted our revenues and operating results.

Spending on information technology, or IT, in most parts of the world has been increasing after a two-year decreasing trend due to a challenging global economic environment. We do experience pricing pressures from our customers, which can negatively impact our operating results. If economic growth slows, our utilization and billing rates for our associates could be adversely affected which may result in lower gross and operating profits.

Wage costs in India, including in the IT services industry, have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive advantages. However, large companies are establishing offshore operations in India, resulting in wage pressures for Indian companies, which may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased cost of IT professionals, particularly project managers and other mid-level professionals. We may need to increase the levels of our employee compensation more rapidly than in the past to remain competitive with other employers, or seek to recruit in other low labor cost jurisdictions to keep our wage costs low. Compensation increases may result in a material adverse effect on our financial performance.

Our business will suffer if we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and the industries on which we focus.

The IT services market is characterized by rapid technological change, evolving industry standards, changing customer preferences and new product and service introductions. Our future success will depend on our ability to anticipate these advances and develop new product and service offerings to meet customer needs and complement our offerings of end-to-end IT services. For example, we have invested significant resources in research and development efforts, such as in our enterprise business solution laboratory and grid computing laboratory, in order to continually develop capabilities to provide new services to our

Table of Contents

customers. Should we fail to develop such capabilities on a timely basis to keep pace with the rapidly changing IT market or if the services or technologies that we develop are not successful in the marketplace, our business and profitability will suffer and it is unlikely that we would be able to recover our research and development costs. Moreover, products, services or technologies that are developed by our competitors may render our services non-competitive or obsolete.

Our revenues are highly dependent on customers primarily located in the United States and customers concentrated in certain industries, and economic slowdowns or factors that affect the economic health of the United States and our customers' industries may affect our business.

In the three months ended June 30, 2007 and in fiscal 2007 and 2006, approximately 62.2%, 63.2% and 64.9%, respectively, of our total revenues were derived from the United States. For the same periods, we earned 25.7%, 27.0% and 28.6% of our IT revenues from the manufacturing industry and 23.4%, 26.3% and 27.3%, of our IT revenues from the banking and finance and insurance industry respectively. If the growth in the United States does not continue, our customers may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability. Further, any significant decrease in the growth of the manufacturing or banking and finance industries, or significant consolidation in these industries, or other industry segments on which we focus, may reduce the demand for our services and negatively affect our revenues and profitability.

Recently, some countries and organizations have expressed concerns about a perceived association between offshore outsourcing and the loss of jobs. In the United States, in particular, there has been increasing political and media attention on these issues following the growth of offshore outsourcing. Any changes in existing laws or the enactment of new legislation restricting offshore outsourcing may adversely impact our ability to do business in the United States, which is the largest market for our services. In the recent past, some U.S. states have proposed legislation restricting government agencies from outsourcing their back office processes and IT solutions work to companies outside the United States or have enacted laws that limit or to discourage such outsourcing. Such laws restrict our ability to do business with U.S. government — related entities. It is also possible that U.S. private sector companies working with these governmental entities may be restricted from outsourcing projects related to government contracts or may face disincentives if they outsource certain projects. Any of these events could adversely affect our revenues and profitability. Similarly, legislation came into effect in the United Kingdom in April 2006 requiring offshore outsourcing providers in certain circumstances to compensate U.K. employees for loss of jobs arising from the offshore migration of business processes.

We face intense competition in the IT services and BPO markets which could prevent us from attracting and retaining customers and could reduce our revenues.

The markets for IT services and Business Process Outsourcing, or BPO, are rapidly evolving and highly competitive, and we expect that competition will continue to intensify. We face competition in India and elsewhere from a number of companies, including:

- consulting firms such as Accenture, BearingPoint, Capgemini and Deloitte Consulting;
- divisions of large multinational technology firms such as Hewlett-Packard and IBM;
- IT outsourcing firms such as Computer Sciences Corporation, Electronic Data Systems and IBM Global Services; and
- offshore IT services firms such as Infosys Technologies Limited, Tata Consultancy Services Limited and Wipro Limited.

We also compete with software firms such as Oracle and SAP, service groups of computer equipment companies, in-house IT departments of large corporations, programming companies and temporary staffing firms. Nipuna Services Limited or Nipuna, our majority-owned subsidiary, through which we provide BPO services, faces competition from firms like Infosys BPO Limited formerly known as Progeon Limited and Wipro BPO, formerly known as Wipro Spectramind.

In addition, we have agreed not to compete with Nipuna as part of the investor rights and securities subscription agreements which we have entered into with Nipuna's two other investors. Pursuant to these agreements, we and our affiliates are restricted from engaging in activities that are or could directly or indirectly be competitive with the business of Nipuna. Such activities include among others providing BPO services, soliciting existing or prospective customers of Nipuna to obtain the services offered by Nipuna from other service providers and investing in companies engaged in the same or similar business as Nipuna. These non-compete restrictions apply until the investors redeem all of their preference shares in Nipuna or their equity interest in Nipuna upto 5%. As a consequence, we currently offer and plan to continue to offer BPO services only through Nipuna. We cannot assure you that these non-compete restrictions will not adversely affect our ability to attract and retain customers in this competitive market or that they will not adversely affect our revenues.

A significant part of our competitive advantage has historically been the cost advantage relative to service providers in the United States and Europe. Since wage costs in this industry in India are presently increasing at a faster rate than those in the United States and Europe, our ability to compete effectively will become increasingly dependent on our reputation, the quality of our services and our expertise in specific markets. Many of our competitors have significantly greater financial, technical and

Table of Contents

marketing resources than we have and generate greater revenues than we do, and we cannot assure you that we will be able to compete successfully with such competitors and will not lose existing customers to such competitors. We believe that our ability to compete also depends in part on a number of factors outside our control, including the ability of our competitors to attract, train, motivate and retain highly skilled technical associates, the price at which our competitors offer comparable services and the extent of our competitors' responsiveness to customer needs.

Our revenues are highly dependent upon a small number of customers.

We derive a significant portion of our revenues from a limited number of corporate customers. In the three months ended June 30, 2007 and in fiscal 2007 and fiscal 2006, our largest customer together with its affiliates, accounted for 5.5%, 6.3% and 8.8%, respectively, of our total revenues. In the three months ended June 30, 2007 and in fiscal 2007 and fiscal 2006, our second largest customer accounted for 4.7%, 4.4% and 5.1%, respectively, of our total revenues. In the three months ended June 30, 2007 and in fiscal 2007 and fiscal 2006, our five largest customers accounted for 20.2%, 21.0% and 24.2% respectively, of our total revenues. The volume of work performed for specific customers is likely to vary from year to year, particularly since we are usually not the exclusive outside service provider for our customers.

There are a number of factors other than our performance that could cause the loss of a customer and that may not be predictable. In certain cases, we have significantly reduced the services provided to a customer when the customer either changed its outsourcing strategy by moving more work in-house or replaced its existing software with packaged software supported by the licensor. Some customers could also potentially develop competing offshore IT centers in India and as a result, work that may otherwise be outsourced to us may instead be performed in-house. Reduced technology spending in response to a challenging economic or competitive environment may also result in lower revenues or loss of a customer. If we lose one of our major customers or one of our major customers significantly reduces its volume of business with us, our revenues and profitability could be reduced.

Our fixed-price contracts expose us to additional risks, many of which are beyond our control, which may reduce the profitability of these contracts.

As a core element of our business strategy, we offer a portion of our services on a fixed-price basis, along-with a time-and-materials basis. In the three months ended June 30, 2007 and in fiscal 2007 and fiscal 2006, we derived 31.7%, 39.0% and 35.1%, respectively, of our IT services revenues from fixed-price contracts. Although we use our software engineering processes and past project experience to reduce the risks associated with estimating, planning and performing fixed-price projects, we bear the risk of cost overruns, completion delays and wage inflation in connection with these projects. We may also have to pay damages to our customers for completion delays. Many of these project risks may be beyond our control. Our failure to accurately estimate the resources and time required for a project, future wage inflation and currency exchange rates, or our failure to complete our contractual obligations within the time frame committed could reduce the profitability of our fixed-price contracts.

Our customers may terminate projects before completion or choose not to renew contracts, many of which are terminable at will, which could adversely affect our profitability.

Our contracts with customers do not commit our customers to provide us with a specific volume of business and can typically be terminated by our customers with or without cause, with little or no advance notice and without penalty. Any failure to meet a customer's expectations could result in a cancellation or non-renewal of a contract. Additionally, our contracts with customers are typically limited to a specific project and not any future work. Our multi-year contracts will be due for renewal from time to time, and we cannot assure you that our customers will choose to renew such contracts for a similar or longer duration, on terms as favorable as their current terms or at all. Other than our performance, there are also a number of factors not within our control that could cause the loss of a customer. Our customers may demand price reductions, change their outsourcing strategy by moving more work in-house or to one of our competitors, or replace their existing software with packaged software supported by licensors, any of which could reduce our revenue and profitability.

A number of our customer contracts are conditioned upon our performance, which, if unsatisfactory, could result in less revenues than previously anticipated.

We have not yet offered any performance based or variable pricing terms to our customers. However, we continue to consider the viability of introducing performance-based or variable-pricing contracts. Should we use value-based pricing terms, it will become more difficult for us to predict the revenues we will receive from our customer contracts, as such contracts would likely contain a higher number of contingent terms for payment of our fees by our customers. Our failure to meet contract goals or a customer's expectations in such performance-based contracts may result in lower revenues, and a less profitable or an unprofitable engagement.

Some of our multi-year customer contracts contain certain provisions which, if triggered, could result in lower future revenues and profitability under the contract.

Some of our multi-year customer contracts contain benchmarking provisions, most favored customer clause and/or provisions restricting personnel from working on projects of our customers' competitors. Benchmarking provisions allow a customer in

Table of Contents

certain circumstances to request a benchmark study prepared by an agreed upon third-party comparing our pricing, performance and efficiency gains for delivered contract services with that of an agreed list of other service providers for comparable services. Based on the results of the benchmarking study and depending on the reasons for any unfavorable variance, we may be required to make improvements in the services we provide or to reduce the pricing for services to be performed under the balance term of the contract, which may result in lower future revenues and profitability under the contract.

Most favored customer clauses generally provide that if, during the term of the contract, we were to offer similar services to any other customers on terms and conditions more favorable than those provided in such contract, we would be obligated to offer equally favorable terms and conditions to the customer. As pricing pressures increase, some customers may demand price reductions or other pricing incentives. Any pricing reduction agreed to in a subsequent contract may require us to offer equally favorable terms to other customers with whom we have a most favored contract under the remaining term of contracts with those customers which may result in lower future revenues and profitability.

The contracts containing benchmarking provisions/most favored customer/and other similar clauses impact new projects or future services on existing projects and do not impact the terms of previously delivered projects/services. The most favored customer clause provides that the Company will offer the best pricing to a new customer if they are identified as a most favored customer. If an existing customer is granted a most favored customer status, the revised terms would apply to the services rendered to such customer after the grant of the most favored customer status. This clause is triggered if a similar contract is negotiated at a lower rate with a new / existing customer having similar volume, skill set, services offered, geography and domain. The reduction in the rates for a most favored customer would be applicable only from the time the Company offers a lower rate to any other customer who enters into a contract similar in nature to the most favored customer.

Historically no delivery / price adjustments have been required to be made on account of any of these clauses and we do not anticipate that these clauses will have a material future effect on our financial condition and results of operations.

A number of our customer contracts provide that, during the term of the contract and for a certain period thereafter ranging from six to twelve months, we may not provide similar services to any of their competitors using the same personnel. This restriction may hamper our ability to compete for and provide services to customers in the same industry, which may result in lower future revenues and profitability.

We may be unable to attract skilled professionals in the competitive labor market.

Our ability to execute projects and to obtain new customers depends largely on our ability to attract, train, motivate and retain highly skilled technical associates, particularly project managers, project leaders and other senior technical personnel. We believe that there is significant competition for technical associates who possess the skills needed to perform the services that we offer. An inability to hire and retain additional qualified personnel will impair our ability to bid for or obtain new projects and to continue to expand our business. Also, we cannot assure you that we will be able to assimilate and manage new technical associates effectively. In the three months ended June 30, 2007 and in fiscal 2007 and fiscal 2006, we experienced associate attrition in the IT services segment at a rate of 14.8%, 15.7% and 19.2%, respectively. Any increase in our attrition rates, particularly the attrition rate of experienced software engineers, project managers and project leaders, could harm our growth strategy. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of replacement technical associates with the requisite skills to replace those technical associates who leave. Further, we cannot assure you that we will be able to redeploy and retrain our technical associates to keep pace with continuing changes in evolving technologies and changing customer preferences. Should we be unable to successfully recruit, retain, redeploy or retrain our technical associates, we may become less attractive to potential customers and may fail to satisfy the demands of existing customers, which would result in a decrease in revenues and profitability.

We dedicate significant resources to develop international operations which may be more difficult to manage and operate.

In addition to our offshore IT centers in India, we have established IT centers in Australia, Canada, China, Hungary, Japan, Malaysia, Singapore, United Arab Emirates, United Kingdom and United States and plan to open additional international facilities. Because of our limited experience in managing and operating facilities outside of India, we are subject to additional risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws, restrictions on the import and export of certain technologies and multiple and possibly overlapping tax structures. In addition, we may face competition in other countries from companies that may have more experience with local conditions or with international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture.

We are investing substantial cash assets in new facilities and physical infrastructure and our profitability could be reduced if our business does not grow proportionately.

As of June 30, 2007, we had contractual commitments of approximately $48.4 million for capital expenditures, and we estimate spending a further $100 million in fiscal 2008. We may encounter cost overruns or project delays in connection with new facilities. These expansions will significantly increase our fixed costs. If we are unable to grow our business and revenues proportionately, our profitability will be reduced.

Table of Contents

Restrictions on immigration may affect our ability to compete for and provide services to customers in the United States and in other countries, which could hamper our growth and cause our revenues to decline.

The vast majority of our associates are Indian nationals. Most of our projects require a portion of the work to be completed at the customer's location which is typically outside India. The ability of our associates to work in the United States, Europe and in other countries outside India depends on the ability to obtain the necessary visas and work permits. As of June 30, 2007, the majority of our associates located outside India was in the United States and held either H-1B visas or L-1 visas, allowing the employee to remain in the United States during the term of the work permit only temporarily. Although there is no limit to new L-1 visas, there is a limit to the aggregate number of new H-1B visas that the U.S. Citizenship and Immigration Services, or CIS, may approve in any government fiscal year. The 2005 Appropriations Bill further precludes foreign companies from obtaining L-1 visas for employees with specialized knowledge: (1) if such employees will be stationed primarily at the worksite of another company in the U.S. and the employee will not be controlled and supervised by his employer, or (2) if the placement is essentially an arrangement to provide labor for hire rather than in connection with the employee's specialized knowledge. The CIS has also issued new guidelines to more closely verify the qualifying criteria to restrict the liberal usage of L1visas. Immigration laws in the United States may also require us to meet certain levels of compensation and to comply with other legal requirements including labor certifications as a condition to obtaining or maintaining work visas for our associates working on H-1B in the United States. The CIS announced on April 3, 2007 that it had received sufficient applications to fill up all 65,000 visas that were available for the year. A notification by the US Citizenship and Immigration Services (USCIS) that it will apply a lottery system if the number of H1-B applications exceed the annual 65,000 quota has led to a scramble among IT firms and their attorneys to line up applications to the USCIS office.

Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and labour and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or monitoring work visas for our employees. Our reliance on work visas for a significant number of associates makes us particularly vulnerable to such changes and variations as it affects our ability to staff projects with associates who are not citizens of the country where the work is to be performed. As a result, we may not be able to obtain a sufficient number of visas for our associates or may encounter delays or additional costs in obtaining or maintaining the condition of such visas.

We may engage in acquisitions, strategic investments, strategic partnerships or alliances or other ventures that may or may not be successful.

We may acquire or make strategic investments in complementary businesses, technologies, services or products, or enter into strategic partnerships or alliances with third parties in order to enhance our business. It is possible that we may not be able to identify suitable acquisitions targets and candidates for strategic investments or partnerships, or if we do identify such targets or candidates, we may not be able to complete those transactions on terms commercially acceptable to us, or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may affect our competitiveness and our growth prospects. As of the date of this document, we have no agreements or understanding to enter into any material acquisition, investment, partnership, joint venture or alliance.

If we acquire a company, we could have difficulty in assimilating that company's personnel, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us. In some cases, we could have difficulty in integrating the acquired products, services or technologies into our operations. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

We may make strategic investments in early-stage technology start-up companies in order to gain experience in or exploit niche technologies. However, our investments may not be successful. The lack of profitability of any of our investments could have a material adverse effect on our operating results.

System failure could disrupt our business.

To deliver our services to our customers, we must maintain a high speed network of satellite, fiber optic and land lines and an active voice and data communications 24 hours a day between our main offices in Hyderabad, our other IT centers in India and globally and the offices of our customers worldwide. Any systems failure or a significant lapse in our ability to transmit voice and data through satellite and telephone communications could result in lost customers and curtailed operations which would reduce our revenue and profitability.

We may be liable to our customers for damages caused by disclosure of confidential information or system failure.

We are often required to collect and store sensitive or confidential customer and consumer data. Many of our customer agreements do not limit our potential liability for breaches of confidentiality. If any person, including any of our associates, penetrates our network security or misappropriates sensitive data, we could be subject to significant liability from our customers or from our customers' clients for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential customer and consumer data, whether through breach of our computer systems, system failure or

Table of Contents

otherwise, could damage our reputation and cause us to lose customers. Many of our contracts involve projects that are critical to the operations of our customers' businesses and provide benefits which may be difficult to quantify. Any failure in a customer's system or breaches of security could result in a claim for substantial damages against us, regardless of our alleged responsibility for such failure. Generally, we attempt to limit our contractual liability for consequential damages in rendering our services; however these limitations on liability may be unenforceable in some cases, or may be insufficient to protect us from liability for damages. In respect of some of our contracts, we sub-contract a part of the work to certain sub-contractors. We are liable to our customers for any breach or non-performance by our sub-contractors under the sub-contracts. We maintain general liability insurance coverage, including coverage for errors and omissions; however this coverage may not continue to be available on reasonable terms and may be unavailable in sufficient amounts to cover one or more large claims. Further, an insurer might disclaim coverage as to any future claim. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or results in changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our operating results and profitability.

Our success depends in large part upon our management team and key personnel and our ability to attract and retain them.

We are highly dependent on the senior members of our management team. Our future performance will be affected by any disruptions in the continued service of these persons. We do not maintain key man life insurance for any of the senior members of our management team or other key personnel, except for our chief executive officer. Competition for senior management in our industry is intense, and we may not be able to retain such senior management personnel or attract and retain new senior management personnel in the future. The loss of any member of our senior management team or other key personnel may have a material adverse effect on our business, results of operations and financial condition.

Our insiders are significant shareholders, are able to influence the election of our board and may have interests which conflict with those of our shareholders or holders of our ADSs.

Our executive officers and directors, together with members of their immediate families, beneficially owned, in the aggregate approximately 0.29% of our outstanding equity shares as of June 30, 2007. In addition, two of our executive directors control SRSR Holdings Private Limited, which holds approximately 8.35% of our outstanding equity shares as of June 30, 2007. As a result, acting together, this group has the ability to exercise influence over most matters requiring our shareholders' approval, including the election and removal of directors and significant corporate transactions. These insider shareholders may exercise influence even if they are opposed by our other shareholders. Without the consent of these insider shareholders, we could be delayed or prevented from entering into transactions (including the acquisition of our company by third parties) that may be viewed as beneficial to us and our shareholders.

Our financial results are impacted by the financial results of entities that we do not control.

As of June 30, 2007, we have a significant, non-controlling interests in Satyam Venture Engineering Services Private Limited, or Satyam Venture, and CA Satyam ASP Private Limited, or CA Satyam, that are accounted for under U.S.GAAP using the equity method of accounting. Under this method, we are obligated to report as "Equity in earnings (losses) of associated companies, net of taxes" a pro-rata portion of the financial results of any such company in our statement of operations even though we do not control such company but have the ability to exercise certain influence over their operating and financial policies. Thus, our reported results of operations can be higher or lower depending on the results of Satyam Venture and CA Satyam or other companies in which we may make similar investments even though we may have only a limited ability to influence their activities. We may also be required to record additional impairment charges in their carrying value if we deem the investment to be impaired due to adverse events, many of which are outside of our control, on their business, results of operations and financial condition in future periods. Currently, we make estimates in the preparation of financial statements including assessing goodwill for impairment. Changes in such estimates resulting from events, many of which are outside of our control, may result in the impairment of goodwill which would negatively impact our net income. Such impact on net income may result in a reduction of the market value of our shares.

The value of our interest in our subsidiaries may decline.

Nipuna, our subsidiary, has experienced losses during each year since its inception and it is likely that it will continue to experience such losses in the future. Our recently acquired subsidiaries, Citisoft and Knowledge Dynamics have also experienced losses since our acquisition and they may also incur losses that might have an adverse effect on our operating results in future periods.

Stock-based compensation expenses may significantly reduce our net income.

Although we have suspended, except in certain cases, new grants of stock options as of April 1, 2005, our reported income has been and will continue to be affected by the grant of warrants or options under our various employee benefit plans. Under the terms of our existing plans, some of which have outstanding obligations to grant options in future, employees are typically granted warrants or options to purchase equity shares at a substantial discount to the current market value. Effective April 1, 2006, we adopted the fair value recognition provisions of Statement of Financial Accounting Standards or SFAS No. 123 (revised 2004), "Share-Based Payment" or SFAS 123R. We adopted SFAS 123R using the modified prospective transition method, which

Table of Contents

required the application of the accounting standard as of April 1, 2006, the first day of our fiscal year 2007. Under this transition method, stock-based compensation expensed for the year ended March 31, 2007 includes

a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" or SFAS 123 and

b) Stock-based compensation expenses for all stock-based compensation awards granted after April 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective transition method, our consolidated financial statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. Depending on the grant date fair value and future grants are made, amortization of deferred stock-based compensation may contribute to reducing our operating income and net income. Our subsidiaries also have stock option schemes which may generate stock-based compensation expenses and which have and in the past reduced, and may in the future reduce our operating income and net income.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, the SEC, regulations, the New York Stock Exchange or NYSE, rules, Securities and Exchange Board of India, or SEBI, rules, and Indian stock market listing regulations are creating uncertainty for companies like ours. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

In particular, our efforts to continue to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment requires the commitment of significant financial and managerial resources. We consistently assess the adequacy of our internal controls over financial reporting, remediate any control deficiencies that may be identified, and validate through testing that our controls are functioning as documented. While we currently do not have any material weaknesses there can be no assurance that future tests will not result in our independent auditors being unable to issue unqualified attestation reports on management's assessment on the operating effectiveness of our internal controls over financial reporting.

Additionally, under revised corporate governance standards adopted by Bombay Stock Exchange Ltd., or BSE, and The National Stock Exchange of India Limited, or NSE, which we collectively refer to as the Indian Stock Exchanges, we have been required to comply with additional standards from December 31, 2005. These standards include a certification by our chief executive officer and chief financial officer that they have evaluated the effectiveness of our internal control systems and that they have disclosed to our auditors and our audit committee any deficiencies in the design or operation of our internal controls of which they may become aware, as well as any steps taken or proposed to resolve the deficiencies.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, the new laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws, regulations or standards of corporate governance, our business and reputation may be harmed.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic issuer, which may, among other things, limit the information available to holders of our securities.

As a foreign private issuer, we are subject to requirements under the Securities Act of 1933, as amended, or Securities Act, and the Securities Exchange Act of 1934, as amended, or Exchange Act, which are different from the requirements applicable to domestic U.S. issuers. For example, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules there under with respect to their purchases and sales of our equity shares and/or ADSs. The periodic disclosure required of foreign private issuers is more limited than the periodic disclosure required of domestic U.S. issuers and therefore there may be less publicly available information about us than is regularly published by or about U.S. public companies in the United States.

Table of Contents

Terrorist attacks or a war could adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the attacks of September 11, 2001 in the United States, and other acts of violence or war, such as the continuing conflict in Iraq, have the potential to have a direct impact on our customers. To the extent that such attacks affect or involve the United States, our business may be significantly impacted, as the majority of our revenues are derived from customers located in the United States. In addition, such attacks may make travel more difficult, may make it more difficult to obtain work visas for many of our associates who are required to work in the United States, and may effectively curtail our ability to deliver our services to our customers. Such obstacles to operate our business may increase our expenses and negatively affect the results of our operations. Many of our customers visit several IT services firms, including their offshore facilities, prior to reaching a decision on vendor selection. Terrorist threats, attacks or war could make travel to our facilities more difficult for our customers and may delay, postpone or cancel decisions to use our services.

Risks Related to Investments in Indian Companies

We are incorporated in India, and a substantial portion of our assets and our employees are located in India. Consequently, our financial performance and the market price of our ADSs will be affected by changes in exchange rates and controls, interest rates, GoI policies, including taxation policies, as well as political, social and economic developments affecting India.

The GoI has recently taken actions to curtail or eliminate tax benefits that we have historically benefited from.

The statutory corporate income tax rate in India is currently 30.0%. This tax rate is presently subject to a 10.0% surcharge. The amount of tax and surcharge payable is further subject to a 3.0% education cess, resulting in an effective tax rate of 33.99%. We benefit from tax incentives provided to software entities such as an exemption from payment of Indian corporate income taxes until the earlier of fiscal 2009 or 10 consecutive years of operations for software development facilities designated as “Software Technology Parks,” or STP units. The benefits of this tax incentive have historically resulted in our effective tax rate being well below statutory rates. The exemption for our STP units was reduced from 100.0% to 90.0% for the fiscal 2003. The exemption for two of our STP units in Hyderabad and one in Bangalore expired at the beginning of fiscal 2006 and one in Hyderabad, Chennai, Pune and Bhubaneswar expired at the beginning of fiscal 2007 and the exemption for balance of our STP units will expire in fiscal 2008 and fiscal 2009. We also earn certain other foreign income and domestic income, which is taxable irrespective of the above tax exemption.

When our tax holidays expire or terminate, our tax expense will materially increase, reducing our profitability. We cannot assure you as to what action the present or future governments of India will take regarding tax incentives for the IT industry.

Foreign investment restrictions under Indian law may adversely impact the value of our ADSs, including, for example, restrictions that limit your ability to reconvert equity shares into ADSs, which may cause our equity shares to trade at a discount or premium to the market price of our ADSs.

Our equity shares are listed and traded on the Indian Stock Exchanges, and they may trade on these stock exchanges at a discount or premium to the ADSs traded on the NYSE, in part because of restrictions on foreign ownership of the underlying shares.

Our ADSs are freely convertible into our equity shares under the deposit agreement governing their issuance, or the Deposit Agreement. The Reserve Bank of India, or RBI, prescribes fungibility regulations permitting, subject to compliance with certain terms and conditions, the reconversion of equity shares to ADSs provided that such equity shares are purchased from an Indian Stock Exchange through stock brokers and the actual number of ADSs outstanding after such reconversion is not greater than the original number of ADSs outstanding. If you elect to surrender your ADSs and receive equity shares, you will only be able to trade those equity shares on an Indian Stock Exchange and, under present law, it is unlikely you will be permitted to reconvert those equity shares to ADSs. Additionally, investors who exchange ADSs for the underlying equity shares and are not holders of record will be required to declare to us details of the holder of record, and the holder of record will be required to disclose the details of the beneficial owner. Any investor who fails to comply with this requirement may be liable for a fine of up to Rs.1,000 for each day such failure continues. Such restrictions on fungibility of the underlying equity shares to ADSs may cause our equity shares to trade at a discount or premium to the ADSs.

The sale of equity shares underlying the ADSs by a person not resident in India to a resident of India does not require the prior approval of the RBI, provided such sales are effected through the Indian Stock Exchanges. Any sale of such underlying equity shares by a person not resident in India to a resident of India outside of the Indian Stock Exchanges can, however, be completed without prior RBI approval, provided such equity shares are transferred based on a pricing formula established by the Indian foreign exchange laws which set a maximum price requirement for sale of such equity shares.

Regional conflicts or natural disasters in South Asia and elsewhere could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. In recent years there have been military confrontations between India and Pakistan that have occurred

Table of Contents

in the region of Kashmir and along the India-Pakistan border. There has also been a recent increase in the incidence of terrorist attacks in India, including bombings at Delhi and Mumbai. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a perception that investments in Indian companies involve higher degrees of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our equity shares and our ADSs, and on the market for our services. In addition, as an international company, our offshore and onsite operations may be impacted by natural disasters such as earthquakes, tsunamis, floods, disease and health epidemics. In December 2004, certain parts of India were severely affected by a tsunami triggered by an earthquake in the Indian Ocean, and in October 2005, certain parts of northern India, Pakistan and Afghanistan were severely devastated by a major earthquake. Though our operations were not affected by these disasters, we cannot guarantee that in the future our operations will not be affected by the effect such natural disasters may have on the economies of India and other countries in the region.

Political instability could seriously harm business and economic conditions in India generally and our business in particular.

During the past decade, the GoI has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The general elections in 2004 for the lower house of the Indian Parliament resulted in no party winning an absolute majority and a coalition government has been formed. We cannot assure you that these liberalization policies will continue in the future. Government corruption scandals and protests against privatization could slow down the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India’s economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and our business in particular.

Currency exchange rate fluctuations may affect the value of our ADSs and our financial condition.

Our functional currency is the Indian rupee, although we transact a major portion of our business in U.S. dollars and several other currencies and accordingly face foreign currency exposure through our sales in the United States and elsewhere and purchases from overseas suppliers in U.S. dollars and other currencies. Historically, we have held a substantial majority of our cash funds in rupees. Accordingly, changes in exchange rates may have a material adverse effect on our revenues, other income, cost of services sold, gross margin and net income, which may in turn have a negative impact on our business, operating results and financial condition.

The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. In the three months ended June 30, 2007 and in fiscal 2007 and fiscal 2006, our U.S. dollar-denominated revenues represented 73.3%, 74.7% and 77.6%, respectively, of our total revenues. We expect that a majority of our revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in rupees. Consequently, our results of operations will be adversely affected to the extent that the rupee appreciates against the U.S. dollar. Depreciation of the rupee will result in foreign currency translation losses in respect of foreign currency borrowings, if any.

We have sought to reduce the effect of exchange rate fluctuations on our operating results by entering into foreign exchange forward and options contracts to cover a portion of outstanding accounts receivable of Satyam Computer Services. As of June 30, 2007 and 2006, we had outstanding forward and options contracts in the amount of $743.6 million and $198.0 million, respectively. We may not be able to purchase contracts adequate to insulate ourselves from foreign exchange currency risks. Additionally, the policies of the RBI may change from time to time which may limit our ability to hedge our foreign currency exposures adequately.

Fluctuations in the exchange rate between the rupee and the U.S. dollar will also affect the U.S. dollar conversion by our Depositary of any cash dividends paid in rupees on the equity shares represented by the ADSs. In addition, fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of our equity shares on the Indian Stock Exchanges. As a result, these fluctuations are likely to affect the prices of our ADSs. These fluctuations will also affect the dollar value of the proceeds a holder would receive upon the sale in India of any equity shares withdrawn from our Depositary under the deposit agreement. We cannot assure you that holders of ADSs will be able to convert rupee proceeds into U.S. dollars or any other currency or with respect to the rate at which any such conversion could occur. In addition, our market valuation could be seriously harmed by the devaluation of the rupee if U.S. investors analyze our value based on the U.S. dollar equivalent of our financial condition and results of operations.

Our ability to acquire companies organized outside India as part of our growth strategy depends on the approval of the GoI and/or the RBI and failure to obtain this approval could negatively impact our business.

We have developed a growth strategy based on, among other things, expanding our presence in existing and new markets and selectively pursuing joint venture and acquisition opportunities. Foreign exchange laws in India presently permit Indian companies to acquire or invest in foreign companies without any prior governmental approval if the transaction amount does not exceed 200.0% of the net worth of the foreign company as of the date of its most recent audited balance sheet. If consideration for

Table of Contents

the transaction is paid out of the proceeds of an American Depositary Receipt, or ADR, or Global Depositary Receipt, or GDR sale, Indian exchange control laws do not impose any investment limits. Acquisitions in excess of the 200% net worth threshold require prior RBI approval. It is possible that any required approval from the RBI may not be obtained. Our failure to obtain approvals for acquisitions of companies organized outside India may restrict our international growth, which could negatively affect our business and prospects.

If we are unable to protect our intellectual property rights, or if we infringe on the intellectual property rights of others, our business may be harmed.

The laws of India do not protect intellectual property rights to the same extent as the laws in the United States. Further, the global nature of our business makes it difficult for us to control the ultimate destination of our products and services. The misappropriation or duplication of our intellectual property could curtail our operations or reduce our profitability.

We rely upon a combination of non-disclosure and other contractual arrangements and copyright, trade secret and trademark laws to protect our intellectual property rights. Ownership of software and associated deliverables created for customers is generally retained by or assigned to our customers, and we do not retain an interest in such software and deliverables.

We have registered "Satyam" and other related marks in India and the United States under certain classes and have applied for the registration of such marks in other jurisdictions where we carry on business. We currently require our technical associates to enter into non-disclosure and assignment of rights agreements to limit use of, access to and distribution of confidential and proprietary information. We cannot assure you that the steps taken by us in this regard will be adequate to prevent misappropriation of confidential and proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services and products do not infringe upon the intellectual property rights of others, we cannot assure you that such a claim will not be asserted against us in the future. Assertion of such claims against us could result in litigation, and we cannot assure you that we would prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party on reasonable commercial terms.

We expect that the risk of infringement claims against us will increase if more of our competitors are able to obtain patents for software products and processes. Any such claims, regardless of their outcome, could result in substantial cost to us and divert management's attention from our operations. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any infringement claim or litigation against us could therefore result in substantial costs and diversion of resources.

Indian laws limit our ability to raise capital outside India and may limit the ability of others to acquire us, which could prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.

Presently, Indian technology companies such as ours are able to raise capital outside of India without the prior approval of any Indian governmental authority through an ADR or GDR issuance or an issuance of convertible debt securities, subject with respect to convertible debt issuances to a limit of $500 million in any fiscal year. Changes to Indian foreign exchange laws may create restrictions on our capital raising abilities. For example, a limit on the foreign equity ownership of Indian technology companies may constrain our ability to seek and obtain additional equity investment by foreign investors. In addition, these restrictions, if applied to us, may prevent us from entering into certain transactions, such as an acquisition by a non-Indian company, which might otherwise be beneficial for us and the holders of our equity shares and ADSs.

Conditions in the Indian securities market may affect the price or liquidity of our equity shares and our ADSs.

The Indian securities markets are smaller and more volatile than securities markets in more developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities and the price of our equity shares has been especially volatile. The high and low prices of our shares on the BSE from fiscal 2003 until the latest practicable date are set forth in the table below.

Fiscal Year	High Rs	$ equivalent	Low Rs.	$ equivalent
2003	145.9	3.1	87.6	1.8
2004	195.5	4.5	63.7	1.5
2005	221.0	5.1	125.0	2.9
2006	431.0	9.7	182.2	4.1
2007	524.9	12.2	270.5	6.3
2008 (through July 20, 2007)	513.8	12.6	435.0	10.2

On July 20, 2007**,** the closing price of our shares on the BSE was Rs. 477.85. For comparison purposes, these prices have been adjusted to give effect to our October 10, 2006 two-for-one stock split (in the form of stock dividend). The prices of our shares

Table of Contents

have been translated into U.S. dollars based on the noon-buying rate as certified by the Federal Reserve Bank of New York on the last date of each period presented.

The Indian Stock Exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, the suspension of stock exchange administration, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian Stock Exchanges have, from time to time, restricted securities from trading, limited price movements and restricted margin requirements. Moreover, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of our equity shares and our ADSs.

It may be difficult for you to enforce any judgment obtained in the United States against us or our affiliates.

We are incorporated under the laws of the Republic of India. Many of our directors and key managerial personnel and some of the experts named in this document reside outside the United States. In addition, virtually all of our assets and the assets of many of these persons are located outside the United States. As a result, you may be unable to:

(i) effect service of process upon us outside India or these persons outside the jurisdiction of their residence; or

(ii) enforce against us in courts outside of India or these persons outside the jurisdiction of their residence, judgments obtained in United States courts, including judgments predicated solely upon the federal securities laws of the United States.

We have been advised by our Indian Counsel, that the United States and India do not have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on civil liability, whether or not predicated solely upon the federal securities laws of the United States, may not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment which has been obtained in the United States. If and to the extent Indian courts were of the opinion that fairness and good faith so required, it would, under current practice, give binding effect to the final judgment which had been rendered in the United States unless such a judgment was founded on a claim which breached the laws of India.

You may be subject to Indian taxes arising out of capital gains on the sale of the underlying equity shares.

Generally, capital gains, whether short-term or long-term, arising from the sale of the underlying equity shares in India are subject to Indian capital gains tax. For the purpose of computing the amount of capital gains subject to tax, Indian law specifies that the cost of acquisition of the equity shares will be deemed to be the share price prevailing on the BSE or the NSE on the date the Depositary advises the custodian to exchange receipts for underlying equity shares. The period of holding of such equity shares, for determining whether the gain is long-term or short-term, commences on the date of the giving of such notice by our Depositary to the custodian. With effect from October 1, 2004, any gains realized on the sale of listed equity shares held for more than 12 months to an Indian resident, or a non-resident investor in India, will not be subject to Indian capital gains tax if the securities transaction tax has been paid on the transaction. Investors are advised to consult their own tax advisors and to consider carefully the potential tax consequences of an investment in our ADSs.

There may be less company information available in Indian securities markets than securities markets in other countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed economies. SEBI is responsible for improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed economies.

Risk Related to our ADSs and our Trading Market

Historically, our ADSs have traded at a significant premium to the trading prices of our underlying equity shares, a situation which may not continue.

Historically, our ADSs have traded on the NYSE at a substantial premium to the trading prices of our underlying equity shares on the Indian Stock Exchanges. We believe that this price premium has resulted from the relatively small portion of our market capitalization represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs, and an apparent preference for some investors to trade U.S. dollar-denominated securities. Over time, some of the restrictions on the issuance of the ADSs imposed by Indian law have been relaxed and we expect that other restrictions may be relaxed in the future. As a result, the historical premium enjoyed by ADSs as compared to equity shares may be reduced or eliminated due to our sponsored ADS offering or similar transactions in the future, a change in Indian law permitting further conversion of equity shares

Table of Contents

into ADSs or changes in investor preferences.

You may be restricted in your ability to exercise preemptive rights under Indian law and thereby may suffer future dilution of your ownership position.

Under the Companies Act, 1956 of India, or the Companies Act, a company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the preemptive rights have been waived by adopting a special resolution by holders of three-fourths of the shares which are voted on the resolution. You may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any given registration statement as well as the perceived benefits of enabling the holders of our ADSs to exercise their preemptive rights and any other factors that we deem appropriate to consider at the time the decision must be made. We may elect not to file a registration statement relating to preemptive rights otherwise available by law to you. In the case of future issuances, the new securities may be issued to our Depositary, which may sell the securities for your benefit. The value, if any, our Depositary would receive upon the sale of such securities cannot be predicted. To the extent that you are unable to exercise preemptive rights granted in respect of the equity shares represented by your ADSs, your proportional interests in our company would be reduced.

Holders of ADSs may be restricted in their ability to exercise voting rights.

At our request, our Depositary will mail to you any notice of shareholders' meeting received from us together with information explaining how to instruct our Depositary to exercise the voting rights of the securities represented by ADSs. If our Depositary timely receives voting instructions from you, it will endeavor to vote the securities represented by your ADSs in accordance with such voting instructions. However, the ability of our Depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to our Depositary in a timely manner. Securities for which no voting instructions have been received will not be voted.

Under Indian law, subject to the presence in person at a shareholder meeting of persons holding equity shares representing a quorum, all resolutions proposed to be approved at that meeting are voted on by a show of hands unless a poll is demanded by a shareholder or shareholders present in person or by proxy holding at least 10.0% of the total shares entitled to vote on the resolution or by those holding shares with an aggregate paid up value of at least Rs. 50,000. Equity shares not represented in person at the meeting, including equity shares underlying ADSs for which a holder has provided voting instructions to our Depositary, are not counted in a vote by show of hands. As a result, only in the event that a shareholder present at the meeting demands that a poll be taken will the votes of ADS holders be counted. Securities for which no voting instructions have been received will not be voted on a poll.

As a foreign private issuer, we are not subject to the SEC's proxy rules, which regulate the form and content of solicitations by U.S.- based issuers of proxies from their shareholders. To-date, our practice has been to provide advance notice to our ADS holders of all shareholder meetings and to solicit their vote on such matters through our Depositary, and we expect to continue this practice. The form of notice and proxy statement that we have been using does not include all of the information that would be provided under the SEC's proxy rules.

An active or liquid trading market for our ADSs is not assured.

We cannot predict the extent to which an active, liquid public trading market for our ADSs will exist. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The lack of an active, liquid trading market could result in the loss of market makers, media attention and analyst coverage. If there is no longer a market for our equity shares, or if we fail to continue to meet eligibility requirements, we may be required to delist from the NYSE and this may cause our share prices to decrease significantly. In addition, if there is a prolonged decline in the price of our equity shares, we may not be able to issue equity securities to fund our growth, which would cause us to limit our growth or to incur higher cost funding, such as short-term or long-term debt.

Liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. Although you are entitled to withdraw the equity shares underlying the ADSs from our Depositary at any time, there is no public market for our equity shares in the United States.

The future sales of securities by our company or existing shareholders may harm the price of our ADSs or our equity shares.

The market price of our ADSs or our equity shares could decline as a result of sales of a large number of ADSs or equity shares or the perception that such sales could occur. Such sales also might make it more difficult for us to sell ADSs or equity securities in the future at a time and at a price that we deem appropriate. As of June 30, 2007, we had an aggregate of equity shares outstanding of 665,374,643 (excluding 2,295,880 equity shares held by the Satyam Associate Trust), which includes underlying equity shares of 130,245,596 represented by 65,122,798 ADSs. In addition, as of June 30, 2007 we had outstanding options to purchase

Table of Contents

approximately 25,823,449 of our equity shares. All ADSs are freely tradable, other than ADSs purchased by our affiliates. The remaining equity shares outstanding may be sold in the United States only pursuant to a registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act.

Item 3: Quantitative and Qualitative Disclosure about Market Risk

Our currency, maturity and interest rate information relative to our short-term and long-term debt are disclosed in Note. 12 “Borrowings” to our consolidated financial statements.

The table below provides information about our financial instruments that are sensitive to changes in interest rates and foreign currencies as of the dates shown. Weighted average variable rates were based on average interest rates applicable to the loans. The information is presented in U.S. dollars, which is our reporting currency, based on the applicable exchange rates as of the relevant period end. Actual cash flows are denominated in various currencies, including U.S. dollars and Indian rupees.

	As at June 30,					
	2007 (unaudited)			2006 (unaudited)		
	Total Recorded			Total Recorded		
	Amount		Fair Value	Amount		Fair Value
	(dollars in millions)					
Debt:						
Variable rate short-term debt	$18.4		$18.4	$ 4.5		$ 4.5
Average interest rate		7.24%			4.7%	
Variable rate long term debt	21.1		21.1	18.6		18.6
Average interest rate		7.45%			6.0%	
Fixed rate long-term debt	4.6		4.5	4.1		4.2
Average interest rate		6.37%			9.2%	

Limitations: Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

We also face market risk relating to foreign exchange rate fluctuations, principally relating to the fluctuation of U.S. dollar to Indian rupee exchange rate. Our foreign exchange risk principally arises from accounts payable to overseas vendors. This risk is partially mitigated as we have receipts in foreign currency from overseas customers and hold balances in foreign currency with overseas banks.

During the three months ended June 30, 2007 and fiscal 2007, 97.2% and 94.9%, respectively, of our revenues were generated outside of India. Using sensitivity analysis, a hypothetical 10% increase in the value of the Indian rupee against all other currencies would decrease revenue by 2.7%, or $12.1 million, in the three months ended June 30, 2007, 2.5%, or $36.9 million, in fiscal 2007 while a hypothetical 10% decrease in the value of the Indian rupee against all other currency would increase revenue by 2.7% or $12.1 million, in the three months ended June 30, 2007, 2.5%, or $36.9 million in fiscal 2007.

We had outstanding forward and options contract amounting to $743.6 million and $452.6 million as at June 30, 2007 and fiscal 2007 respectively. Gains/ (losses) on outstanding forward and options contracts amounted to $26.1 million and $4.5 million during the three months ended June 30, 2007 and fiscal 2007 respectively. Using sensitivity analysis, a hypothetical 1% increase in the value of the Indian rupee against all other currencies would decrease these gains by $1.9 million in the three months ended June 30, 2007 and by $0.7 million in fiscal 2007 while a hypothetical 1% decrease in the value of the Indian rupee against all other currency would increase these gains by $1.9 million in the three months ended June 30, 2007 and by $0.7 million in fiscal 2007.

In the opinion of management, a substantial portion of this fluctuation would be offset by expenses incurred in local currencies. As a result, the aggregate of the hypothetical movement described above of the value of the Indian rupee against all other currencies in either direction would have impacted our earnings before interest and taxes by $14.0 million during the three months ended June 30, 2007 and $37.6 million in fiscal 2007. This amount would be offset, in part, from the impacts of local income taxes and local currency interest expense. As of June 30, 2007, we had approximately $178.0 million of non-Indian rupee denominated cash and cash equivalents.

Item 4: Controls and Procedures

Not applicable.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Satyam and its subsidiaries on a consolidated basis are not currently a party to any material legal proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In May 2001, we completed an offering of 16,675,000 ADSs (representing 33,350,000 equity shares) at a price of $9.71 per ADS. We received approximately $150.6 million in cash, net of underwriting discounts, commissions and other offering costs. Our Securities Act registration statement on Form F-1 with respect to the offering was declared effective by the Securities and Exchange Commission on May 14, 2001 (Registration No. 333-13464). As of June 30, 2007 the entire $150.6 million of these proceeds has been used for prepayment of loans ($26.9 million); strategic investments in our subsidiaries ($39.3 million); development of facilities and infrastructure ($58.5 million) and working capital and general corporate purposes ($25.9 million). None of the net proceeds from our ADS offering were paid, directly or indirectly, to any of our directors, officers or general partners or any of their associates, or to any persons owning ten percent or more of any class of our equity securities, or any affiliates.

Item 3. Default Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports

99.1 Press Release of the Company concerning financial results dated July 20, 2007.

99.2 Summary of Financial Results of the Company for the quarter ended June 30, 2006 dated July 20, 2007.

99.3 Investor Link News Update of the Company dated July 20, 2007.

99.4 Unconsolidated/standalone financial statements for the quarter ended June 30, 2007 under Indian GAAP (audited).

99.5 Consolidated financial statements for the quarter ended June 30, 2007 under Indian GAAP (unaudited).

99.6 Consolidated financial statements for the three months ended June 30, 2007 under US GAAP (unaudited).

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there under duly authorized.

Satyam Computer Services Ltd.

/s/ G. Jayaraman

Name: G. Jayaraman
Title: Sr.Vice President — Corp. Governance & Company Secretary

Date: July 27, 2007

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Exhibit 99.1

Satyam
What Business Demands.

PRESS RELEASE – US GAAP

Satyam posts 40 % YoY revenue growth; revises revenue guidance upwards

- Total income for FY 08 to exceed the US $ 2 Bn mark

Hyderabad, India, July 20, 2007: Satyam (NYSE: SAY), a leading global consulting and IT services company, today announced the audited results of the company for the quarter ended June 30, 2007 (Q1).

Consolidated Indian GAAP Highlights

1. Revenue was Rs.1830 crore; a YoY increase of 26.8% and a sequential increase of 2.9%.
2. Volume growth for the quarter was 9.5%.
3. Net Profit after Tax was Rs. 378 crore; a YoY increase of 6.8% and a sequential decrease of 3.9%.
4. EPS was Rs. 5.67; a YoY increase of 4.3% and a sequential decrease of 5.2%.
5. EBITDA margin for the quarter was 22.4%.

US GAAP Highlights

1. Revenue was US$ 452.3 mn; up 40.3 % YoY and 10% sequentially.
2. Net Income was $ 93.1 mn; YoY increase of 23.3% and a sequential increase of 7.9%.
3. Basic earning per ADS for the quarter was US$ 0.28; increase of 20.3% YoY and up 6.4% sequentially.
4. Operating margins (EBIT) was 19.9%.

Commenting on the results, Mr. B. Ramalinga Raju, founder and chairman — Satyam, said, *"Overall, it was a strong first quarter performance, and a good beginning to FY08—a year when Satyam's total income will exceed the US$2 billion mark."*

Satyam
What Business Demands.

Other Highlights

1. The parent company ended the quarter with 38,386 associates, an addition of 2,716 associates including 1,298 trainees for Q1 08. The number of associates including the subsidiaries and joint ventures stood at 42,347.
2. Attrition on a trailing twelve months basis fell to 14.9% from 15.7% in Q4 FY07.

"*Strong volume growth and increased revenue productivity along with operational efficiencies helped us mitigate margin challenges posed by an unprecedented 7% rupee appreciation during the quarter,*" said **Srinivas Vadlamani, chief financial officer, Satyam.**

Business Outlook

1. For fiscal 2008, under US GAAP, revenue is expected to be between US$1.96 bn and US$1.98 bn, implying a growth rate of 34.0% to 35.5% over fiscal 2007. Basic earning per ADS for fiscal 2008 is expected to be between US$ 1.17 and US$ 1.19, implying a growth rate of 28.3% — 29.7% over fiscal 2007.
2. Corresponding revenue growth under Indian GAAP consolidated is expected to be between 21.1% and 22.5%. EPS for the full year is expected to be between Rs. 24.14 and Rs. 24.46, implying a growth rate of 12.5% – 14.0%.
3. For Q2 FY 2008, under US GAAP, revenue is expected to be between US$ 477.2 mn and US$ 479.4 mn, implying a growth rate of 5.5% to 6.0%. Basic earning per ADS for Q2 08 is expected to be US$ 0.26.
4. For Q2 FY 2008, under Indian GAAP consolidated, corresponding revenue growth rate is expected to be between 4.7% and 5.2%. EPS for the Quarter is expected to be between Rs. 5.36 and Rs. 5.41.

Key Business Achievements

Satyam added 29 new customers in the quarter including 2 US Fortune 500 corporations

Mr. Raju said, *"Other first quarter highlights included revenue growth across all verticals and similar achievements in our service offerings and*

Satyam
What Business Demands.

regions. Engineering Services and Infrastructure Management Services grew by 14% and 36%, respectively, validating significant investments in these areas over the past several years. Expansion in these services is over and above accelerated growth in Consulting and Enterprise Business Solutions, which grew by 15% in Q1—another strong showing for a practice that has grown swiftly and steadily for a long time. In addition, our focus on maximizing customer value by delivering integrated business solutions and by partnering with them in their business transformation has resulted in stronger relationships. It has also led to an increase in strategic engagements."

Some of the prominent customer additions were a leading US chemical manufacturer, one of the world's largest manufacturers of fiberglass and related products, and Australia's largest transportation company.

Satyam is working to provide high-end design, computer-aided engineering (CAE), analysis, product lifecycle management, and other services for the world's leading business, special-mission, and trainer aircraft manufacturer.

Satyam provided a directional roadmap and an IT strategy recommendation for a large American bank to globalize their Shared Services Group.

Satyam led one of India's largest retail bank's foray into internet banking by successfully rolling out an Internet Banking solution. Currently over 3500 branches are Internet Banking enabled providing a seamless internet front end to a variety of backend banking.

Satyam bagged a prestigious infrastructure management contract with a global FMCG company for Managed Data Center support services for their Data Centers in the US, and Europe.

Nipuna Highlights

For Q1 2008, Nipuna posted revenue of US$ 11.93 mn and a net loss of US$ 2.02 mn. The revenue guidance for fiscal 2008 is US$ 61 mn, a growth of 60% over the previous year.

Nipuna has won two strategic deals in the research and consulting space towards guiding the strategic department of a large oil and gas exploration company to formulate a merger, acquisition and divestment department function and to conduct supplier research across IT services for its procurement department

Satyam
What Business Demands.

Nipuna was awarded the "Best Established Indian ITeS Company" by the Hyderabad Software Exporters Association (HYSEA) for FY 2007.

Key Awards and Recognitions in this Quarter

Satyam wins Partner of Year Award from Oracle

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Satyam wins VIP award from Computer Associates

Satyam is the Winner of CA's Business Service Optimization (BSO) business unit's VIP (Vision, Impact, Progress) Award in the IMPACT category. The Impact Award recognizes demonstrable and measurable results from improved IT, especially in terms of productivity, financial benefits, quality improvements and/ or customer satisfaction.

Satyam's Testing Practice wins Leadership Award

Satyam became the first Indian SI to win the prestigious "Competitive Strategy Leadership Award for Offshore Testing Market" from Frost & Sullivan, a leading International research & consulting company, that has placed Satyam in the Thought Leadership Quadrant in the testing space.

Satyam Top Indian company and Global No. 3 in top 10 IT outsourcing vendors as per the Black Book of Outsourcing, 2007

Satyam ranked No. 1 amongst Indian IT companies and No. 3 globally out of 1455 outsourcing vendors in 77 countries in a survey conducted by Brown-Wilson Group Inc., for publishing in The Black Book of Outsourcing, 2007.

Satyam wins "Citizenship Partner of the Year" award from Microsoft

Satyam Computer Services Ltd., was adjudged as the Winner of the "Citizenship Partner of the Year" award at the Microsoft Worldwide Partner Conference Awards. The Citizenship Partner of the Year award recognizes exceptional partners that have made a sustained commitment to society and their communities and can demonstrate the impact of their work. Satyam's "Emergency Management & Research Institute" (EMRI) a solution offering from the Satyam Healthcare Providers industry practice, was recognized for superior technology and innovation in Citizenship.

About Satyam Computer Services Limited

Satyam Computer Services Ltd. (NYSE: SAY) is a global IT consulting and services provider, offering a range of expertise aimed at helping customers re-engineer and re-invent their businesses to compete successfully in an ever-changing marketplace. Nearly 42,500* highly-skilled professionals in Satyam work onsite, offsite, offshore and nearshore, to provide customized IT solutions for companies in several industry sectors.

Satyam's ideas and products have resulted in technology-intensive transformations that have met the most stringent of international quality standards. Satyam Development Centers in India, the USA, the UK, the UAE, Canada, Hungary, Malaysia, Singapore, China, Japan and Australia serve 570* global companies, of which 165* are Fortune Global 500 and Fortune US 500 corporations. Satyam's presence spans 57 countries, across six continents. For more information visit: **www.satyam.com**

** As on June 30, 2007*

Satyam

India	Shakuntala Sarkar, Shakuntala_sarkar@satyam.com, +919885106696
US and Europe	Priti Thakker, Priti_thakker@satyam.com, +1-973-753-1858 / +440 7717345581
Asia- Pacific	Violet Yeo, Violet_Yeo@satyam.com, +614 184 00 833

Safe Harbor

This press release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements. For a discussion of the risks associated with our business, please see the discussions under the heading "Risk Factors" in our report on Form 20-F concerning the year ended March 31, 2007, furnished to the United States Securities Exchange Commission on April 30, 2007 and the other reports filed with the Securities Exchange Commission from time to time. These filings are available at http://www.sec.gov.

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Satyam ranked No. 1 amongst Indian IT companies and No. 3 globally out of 1455 outsourcing vendors in 77 countries in a survey conducted by Brown-Wilson Group Inc., for publishing in The Black Book of Outsourcing, 2007.

Satyam wins “Citizenship Partner of the Year” award from Microsoft

Satyam Computer Services Ltd., was adjudged as the Winner of the “Citizenship Partner of the Year” award at the Microsoft Worldwide Partner Conference Awards. The Citizenship Partner of the Year award recognizes exceptional partners that have made a sustained

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commitment to society and their communities and can demonstrate the impact of their work. Satyam's "Emergency Management & Research Institute" (EMRI) a solution offering from the Satyam Healthcare Providers industry practice, was recognized for superior technology and innovation in Citizenship.

About Satyam Computer Services Limited

Satyam Computer Services Ltd. (NYSE: SAY) is a global IT consulting and services provider, offering a range of expertise aimed at helping customers re-engineer and re-invent their businesses to compete successfully in an ever-changing marketplace. Nearly 42,500* highly-skilled professionals in Satyam work onsite, offsite, offshore and nearshore, to provide customized IT solutions for companies in several industry sectors.

Satyam's ideas and products have resulted in technology-intensive transformations that have met the most stringent of international quality standards. Satyam Development Centers in India, the USA, the UK, the UAE, Canada, Hungary, Malaysia, Singapore, China, Japan and Australia serve 570* global companies, of which 165* are Fortune Global 500 and Fortune US 500 corporations. Satyam's presence spans 57 countries, across six continents. For more information visit: **www.satyam.com**

** As on June 30, 2007*

Satyam

India	Shakuntala Sarkar, Shakuntala_sarkar@satyam.com, +919885106696
US and Europe	Priti Thakker, Priti_thakker@satyam.com, +1-973-753-1858 / +440 7717345581
Asia- Pacific	Violet Yeo, Violet_Yeo@satyam.com, +614 184 00 833

Safe Harbor

This press release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements. For a discussion of the risks associated with our business, please see the discussions under the heading "Risk Factors" in our report on Form 20-F

Satyam
What Business Demands.

concerning the year ended March 31, 2007, furnished to the United States Securities Exchange Commission on April 30, 2007 and the other reports filed with the Securities Exchange Commission from time to time. These filings are available at http://www.sec.gov.

<DOCUMENT>
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Exhibit 99.2

Satyam
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Satyam Computer Services Limited
Regd. office: Mayfair Centre, I Floor, 1-8-303/36, S.P.Road, Secunderabad — 500 003.

Highlights for Q1 — 2008

Business Outlook

1. For fiscal 2008, under US GAAP, revenue is expected to be between US$1.96 bn and US$1.98 bn, implying a growth rate of 34.0% to 35.5% over fiscal 2007. Basic earning per ADS for fiscal 2008 is expected to be between US$ 1.17 and US$ 1.19, implying a growth rate of 28.3% — 29.7% over fiscal 2007.
2. Corresponding revenue growth under Indian GAAP consolidated is expected to be between 21.1% and 22.5%. EPS for the full year is expected to be between Rs. 24.14 and Rs. 24.46, implying a growth rate of 12.5% – 14.0%.
3. For Q2 FY 2008, under US GAAP, revenue is expected to be between US$ 477.2 mn and US$ 479.4 mn, implying a growth rate of 5.5% to 6.0%. Basic earning per ADS for Q2 08 is expected to be US$ 0.26.
4. For Q2 FY 2008, under Indian GAAP consolidated, corresponding revenue growth rate is expected to be between 4.7% and 5.2%. EPS for the Quarter is expected to be between Rs. 5.36 and Rs. 5.41.

Consolidated Indian GAAP Highlights

The highlights of the results for the quarter under Indian GAAP Consolidated basis are:

1. Revenue was Rs.1830 crore; a YoY increase of 26.8% and a sequential increase of 2.9%.
2. Volume growth for the quarter was 9.5%.
3. Net Profit after Tax was Rs. 378 crore; a YoY increase of 6.8% and a sequential decrease of 3.9%.
4. EPS was Rs. 5.67; a YoY increase of 4.3% and a sequential decrease of 5.2%.
5. EBITDA margin for the quarter was 22.4%.

US GAAP Highlights

The highlights of the results under US GAAP are:

1. Revenue was US$ 452.3 mn; up 40.3 % YoY and 10% sequentially.
2. Net Income was $ 93.1 mn; YoY increase of 23.3% and a sequential increase of 7.9%.
3. Basic earning per ADS for the quarter was US$ 0.28; increase of 20.3% YoY and up 6.4% sequentially.
4. Operating margins (EBIT) was 19.9%.

Others

1. The parent company ended the quarter with 38,386 associates, an addition of 2,716 associates including 1,298 trainees for Q1 08. The number of associates including the subsidiaries and joint ventures stood at 42,347.
2. Attrition on a trailing twelve months basis fell to 14.9% from 15.7% in Q4 FY07.

Consolidated financial results as per Indian GAAP

Rs. in crores except as stated otherwise

Sl. No.	Particulars	Quarter ended June 30, (unaudited) 2007	2006	Growth over quarter ended June 30, 2006 (%)	Quarter ended March 31, 2007 (unaudited)	Growth over quarter ended March 31, 2007 (%)	Year ended March 31, 2007 (audited)
1	Income from services						
	-Exports	1,776.94	1,376.66	29.08	1,701.01	4.46	6,188.12
	-Domestic	53.25	66.27	(19.65)	78.14	(31.85)	296.96
	Total	**1,830.19**	**1,442.93**	26.84	**1,779.15**	2.87	**6,485.08**
2	Other income	63.20	74.48	(15.15)	70.40	(10.23)	183.28
3	**Total income**	**1,893.39**	**1,517.41**	24.78	**1,849.55**	2.37	**6,668.36**
4	Personnel expenses	1,106.18	831.61	33.02	1,076.26	2.78	3,857.93
5	Cost of software and hardware sold	0.25	0.68	(63.24)	0.50	(50.00)	2.27
6	Operating and administration expenses	313.47	255.63	22.63	292.17	7.29	1,087.17
7	Total expenditure	1419.90	1,087.92	30.52	1,368.93	3.72	4,947.37
8	**Profit before interest, depreciation/ amortization and taxation (PBIDT)**	**473.49**	**429.49**	10.24	**480.62**	(1.48)	**1,720.99**
9	PBIDT margin	25.01%	28.30%	—	25.99%	—	25.81%
10	**Operating profit (PBIDT without other income)**	**410.29**	**355.01**	15.57	**410.22**	0.02	**1,537.71**
11	Operating profit margin	22.42%	24.60%	—	23.06%	—	23.71%
12	Financial expenses	3.32	2.55	30.20	7.42	(55.26)	15.92
13	Depreciation/amortization	38.69	36.17	6.97	35.39	9.32	148.44
14	**Profit before taxation [8-(12+13)]**	**431.48**	**390.77**	10.42	**437.81**	(1.45)	**1,556.63**
15	Provision for taxation	53.16	36.77	44.57	44.23	20.19	152.01
16	**Profit after taxation before minority interest**	**378.32**	**354.00**	6.87	**393.58**	(3.88)	**1,404.62**
17	Minority interest	—	0.12	—	—	—	0.12
18	**Profit after taxation and minority interest**	**378.32**	**354.12**	6.83	**393.58**	(3.88)	**1,404.74**
19	PAT to total income	19.98%	23.34%	—	21.28%	—	21.07%
20	Paid-up equity share capital (Par value of Rs.2 per share)	133.53	65.26	—	133.44	—	133.44
21	Reserves excluding revaluation reserves	5,974.07	4,552.34	—	5,565.81	—	5,565.81
22	Preference shares of Rs. 10 each issued by Subsidiary Company	45.50	91.01	—	45.50	—	45.50
23	EPS – basic (Rs.) (on par value of Rs. 2 per share)*	5.67	5.44	4.23	5.98	(5.18)	21.45
24	EPS – diluted (Rs.) (on par value of Rs. 2 per share)*	5.53	5.24	5.53	5.83	(5.15)	20.98

* Adjusted for issue of bonus shares in the ratio of 1:1, allotted on October 11, 2006.

Notes:

1. The above results have been taken on record by the Board of directors at its meeting held today.
2. The consolidated financial statements of Satyam Computer Services Ltd (Satyam) and its majority owned domestic and foreign subsidiaries are prepared in accordance with Accounting Standard (AS) 21 on consolidated financial statements issued by the Institute of Chartered Accountants of India. All significant intra-group balances and intra-group transactions and resulting unrealized profits have been eliminated. The financial statements also include the results of our joint ventures consolidated on proportionate consolidation method in accordance with AS 27 on Financial Reporting of Interest in Joint Ventures.
3. The results of business entities, which have been consolidated, with the results of Satyam, include subsidiaries — Nipuna Services Limited, Satyam Technologies, Inc., Satyam Computer Services (Shanghai) Co. Ltd., Citisoft Plc and its subsidiary and Knowledge Dynamics Pte. Ltd. and its subsidiaries. The results also include the results of our joint ventures Satyam Venture Engineering Services Pvt. Ltd. and CA Satyam ASP Pvt. Ltd., which have been accounted using proportionate consolidation method.
4. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current period

For and on behalf of the Board of Directors

Place: Hyderabad
Date: July 20, 2007

B. Rama Raju
Managing Director

Consolidated financial results as per US GAAP

US$ in millions except as stated otherwise

Sl. No.	Particulars	Three months ended June 30, (unaudited) 2007	2006	Growth over three months ended June 30, 2006 (%)	Three months ended March 31, 2007 (unaudited)	Growth over three months ended March 31, 2007 (%)	Year ended March 31, 2007 (audited)
1	Revenues	$452.3	$322.5	40.25	$411.3	9.97	$1,461.4
2	Gross profit	163.1	117.0	39.40	147.0	10.95	523.8
3	Operating income	90.1	66.9	34.68	81.0	11.23	291.6
4	Operating income margin	19.92%	20.74%	—	19.69%	—	19.95%
5	Income / (loss) before taxes, minority interest and equity in earnings / (losses) of associated companies	104.9	82.6	27.00	95.2	10.19	328.2
6	Net income	$ 93.1	$ 75.5	23.31	$ 86.3	7.88	$ 298.4
7	EPADS – basic (US$)*	0.28	0.23	20.33	0.26	6.43	0.92
8	EPADS – diluted (US$)*	0.27	0.22	22.10	0.26	6.32	0.90

* Adjusted for issue of bonus shares in the ratio of 1:1 allotted on October 11, 2006.

Notes:

1. The above results have been taken on record by the Board of directors at its meeting held today.
2. The consolidated financial statements of Satyam Computer Services Ltd (Satyam) and its majority owned domestic and foreign subsidiaries are prepared in accordance with generally accepted accounting principles applicable in the United States (US GAAP). All significant inter-company balances and transactions have been eliminated.
3. The results of business entities, which have been consolidated, with the results of Satyam include subsidiaries — Nipuna Services Ltd., Satyam Computer Services (Shanghai) Co. Ltd., Satyam Technologies, Inc., Citisoft Plc and its subsidiary and Knowledge Dynamics Pte. Ltd. and its subsidiaries. The results also include Satyam Associate Trust and the results of our associated companies Satyam Venture Engineering Services Pvt. Ltd. and CA Satyam ASP Pvt. Ltd.
4. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current period.
5. Statement showing reconciliation between net profit as per Indian GAAP and US GAAP consolidated financial statements for the quarter ended June 30, 2007 is as follows:

US$ in millions

Sl. No.	Particulars	Three months ended June 30, (unaudited) 2007	2006	Year ended March 31, 2007 (audited)
1	**Profit as per Indian GAAP consolidated financial statements**	**$92.1**	**$78.2**	**$311.9**
2	Stock-based compensation	(0.6)	(3.7)	(12.0)
3	Others, net	1.6	1.0	(1.5)
4	Total adjustments (2 to 3)	1.0	(2.7)	(13.5)
5	**Net income as per US GAAP financial statements**	**$93.1**	**$75.5**	**$298.4**

Audited financial results for the quarter ended June 30, 2007

Rs. in crores except as stated otherwise

Sl. No.	Particulars	Quarter ended June 30, 2007	Quarter ended June 30, 2006	Growth over quarter ended June 30, 2006 (%)	Quarter ended March 31, 2007	Growth over quarter ended March 31, 2007 (%)	Year ended March 31, 2007
1	Income from services						
	-Exports	1,706.27	1,332.42	28.06	1,637.18	4.22	5,961.06
	-Domestic	52.81	54.44	(2.99)	71.85	(26.50)	267.41
	Total	**1,759.08**	**1,386.86**	26.84	**1,709.03**	2.93	**6,228.47**
2	Other income	61.85	74.38	(16.85)	69.37	(10.84)	181.61
3	**Total income**	**1,820.93**	**1,461.24**	24.62	**1,778.40**	2.39	**6,410.08**
4	Personnel expenses	1,059.38	795.13	33.23	1,036.07	2.25	3,706.04
5	Operating and administration expenses	286.99	236.08	21.56	265.78	7.98	993.31
6	Total expenditure	1,346.37	1,031.21	30.56	1,301.85	3.42	4,699.35
7	**Profit before interest, depreciation/amortization and taxation (PBIDT)**	**474.56**	**430.03**	10.36	**476.55**	(0.42)	**1,710.73**
8	PBIDT margin	26.06%	29.43%	—	26.80%	—	26.69%
9	**Operating profit (PBIDT without other income)**	**412.71**	**355.65**	16.04	**407.18**	1.36	**1,529.12**
10	Operating profit margin	23.46%	25.64%	—	23.83%	—	24.55%
11	Financial expenses	0.51	1.07	(52.34)	4.93	(89.66)	7.61
12	Depreciation/amortization	32.55	32.30	0.77	30.46	6.86	129.89
13	**Profit before taxation [7-(11+12)]**	**441.50**	**396.66**	11.30	**441.16**	0.08	**1,573.23**
14	Provision for taxation	52.36	36.57	43.18	43.66	19.93	150.00
15	**Profit after taxation (PAT)**	**389.14**	**360.09**	8.07	**397.50**	(2.10)	**1,423.23**
16	PAT to Total income	21.37%	24.64%	—	22.35%	—	22.20%
17	Paid-up equity share capital (par value of Rs.2 per share)	133.53	65.26	—	133.44	—	133.44
18	Reserves excluding revaluation reserves	6,068.61	4,668.35	—	5,648.07	—	5,648.07
19	EPS – basic (Rs.) (on par value of Rs. 2 per share)*	5.83	5.53	5.42	6.04	(3.48)	21.73
20	EPS – diluted (Rs.) (on par value of Rs. 2 per share)*	5.68	5.33	6.57	5.89	(3.57)	21.25

* Adjusted for issue of bonus shares in the ratio of 1:1 allotted on October 11, 2006.

Segment Reporting:

Rs in crores

1	**Segment revenue**						
	Information technology services	1,759.08	1,386.86	26.84	1,709.03	2.93	6,228.47
	Less: Inter segment revenue	—	—	—	—	—	—
	Net Sales / Income from operations	1,759.08	1,386.86	26.84	1,709.03	2.93	6,228.47
2	**Segment profit /(loss) before tax and interest**						
	Information technology services	380.16	323.35	17.57	376.72	0.91	1,399.23
	Less : Financial expenses	0.51	1.07	(52.34)	4.93	(89.66)	7.61
	Add: Other income	61.85	74.38	(16.85)	69.37	(10.84)	181.61
	Total profit before tax	441.50	396.66	11.30	441.16	0.08	1,573.23
3	**Capital employed**						
	Information technology services	2,613.65	2,572.67	1.59	2,191.35	19.27	2,191.35

Notes:

1. The above results have been taken on record by the Board of directors at its meeting held today.
2. The total manpower strength as on June 30, 2007 stood at 38,386 associates as against 35,670 associates as on March 31, 2007 signifying an increase of 2,716 associates. The number of technical associates increased by 2,544 to close the quarter at 36,356 (33,812 associates as on March 31, 2007).
3. During the quarter ended June 30, 2007, the Company allotted 474,514 equity shares of Rs. 2 each, consequent to exercise of stock options by the Associates.
4. Details of investor complaints for the quarter ended June 30, 2007:

Nature	Pending as on April 1, 2007	During the quarter Received	During the quarter Disposed off	Pending as on June 30, 2007
Dividends related	0	44	44	0
Others	0	6	6	0
Total	**0**	**50**	**50**	**0**

5. Figures of the earlier periods, wherever necessary, have been regrouped and rearranged to conform to those of the current period.

For and on behalf of the Board of Directors

Place: Hyderabad
Date: July 20, 2007

B. Rama Raju
Managing Director

Safe Harbor:

This release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements.

For a discussion of the risks associated with our business, please see the discussions under the heading “Risk Factors” in our report on Form 20-F concerning the fiscal year ended March 31, 2007 furnished to the United States Securities and Exchange Commission on April 30, 2007 and the other reports filed with the Securities and Exchange Commission from time to time. These filings are available at www.sec.gov.

<DOCUMENT>
<TYPE> EX-99.3
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<DESCRIPTION> EX-99.3 Investor Link News Update of the Company dated July 20, 2007
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Exhibit 99.3

INVESTOR NEWS UPDATE Q1, FISCAL 2008

investorLink™

Satyam What Business Demands.

July 20, 2007

Business Outlook

1. For fiscal 2008, under US GAAP, revenue is expected to be between US$1.96 bn and US$1.98 bn, implying a growth rate of 34.0% to 35.5% over fiscal 2007. Basic earning per ADS for fiscal 2008 is expected to be between US$ 1.17 and US$ 1.19, implying a growth rate of 28.3% to 29.7% over fiscal 2007.
2. Corresponding revenue growth under Indian GAAP consolidated is expected to be between 21.1% and 22.5%. EPS for the full year is expected to be between Rs. 24.14 and Rs. 24.46, implying a growth rate of 12.5% – 14.0%.
3. For Q2 FY 2008, under US GAAP, revenue is expected to be between US$ 477.2 mn and US$ 479.4 mn, implying a growth rate of 5.5% to 6.0%. Basic earning per ADS for Q2 08 is expected to be US$ 0.26.
4. For Q2 FY 2008, under Indian GAAP consolidated, corresponding revenue growth rate is expected to be between 4.7% and 5.2%. EPS for the Quarter is expected to be between Rs. 5.36 and Rs. 5.41.

Consolidated Indian GAAP Highlights

The highlights of the results for the quarter under Indian GAAP Consolidated basis are:

1. Revenue was Rs.1830 crore; a YoY increase of 26.8% and a sequential increase of 2.9%.
2. Volume growth for the quarter was 9.5%
3. Net Profit after Tax was Rs. 378 crore; a YoY increase of 6.83% and a sequential decrease of 3.88%.
4. EPS was Rs. 5.67; a YoY increase of 4.32% and a sequential decrease of 5.16%.
5. EBITDA margin for the quarter was 22.42%.

"Overall, it was a strong first quarter performance, and a good beginning to FY08—a year when Satyam's total income will exceed the US$2 billion mark."

– Ramalinga Raju, Founder & Chairman

"Strong volume growth and increased revenue productivity along with operational efficiencies helped us mitigate margin challenges posed by an unprecedented 7% rupee appreciation during the quarter."

– V. Srinivas, CFO

US GAAP Highlights

The highlights of the results under US GAAP are:

1. Revenue was US$ 452.3 mn; up 40.3 % YoY and 10% sequentially.
2. Net Income was $ 93.1 mn; YoY increase of 23.3% and a sequential increase of 7.88%.
3. Basic earning per ADS for the quarter was US$ 0.28; increase of 20.3% YoY and up 6.4% sequentially.
4. Operating margins (EBIT) was 19.9%.

Other Highlights

1. The parent company ended the quarter with 38,386 associates, an addition of 2716 associates including 1298 trainees for Q1 08. The number of associates including the subsidiaries and joint ventures stood at 42,347.
2. Attrition on a trailing twelve months basis fell to 14.9% from 15.7% in Q4 FY07.

Q1 Table of Contents

Satyam
What Business Demands.

Chairman's Message

Dear Investor,

The first quarter of Fiscal Year 2008 was a landmark period that commemorated the first 20 years of Satyam's journey to deliver stakeholder value. It is all the more inspiring to enter into the 21st year on the heels of an encouraging performance and an upgrade to our annual guidance.

During Q1, Satyam recorded sequential revenue growth of 10% in US $. However, an unprecedented appreciation of the rupee against all major currencies during Q1 reduced the corresponding growth rate in rupees to 2.87%. Our revenue increase compares very favorably with the guidance stated at the beginning of Q1. EPS for Q1 was Rs. 5.67.

In Q1, we added 29 customers including 2 Fortune US 500 corporations. Our net addition of associates in Q1 was 2716. The number of customers billing more than US $5 mn. increased to 65 from 57 during the quarter.

Other first quarter highlights included revenue growth across all verticals and similar achievements in our service offerings and regions. Engineering Services and Infrastructure Management Services grew by 14% and 36.4%, respectively, validating significant investments in these areas over the past several years. Expansion in these services is over and above accelerated growth in Consulting and Enterprise Business Solutions, which grew by 15% in Q1—another strong showing for a practice that has grown swiftly and steadily for a long time.

In addition, our focus on maximizing customer value by delivering integrated business solutions and by partnering with them in their business transformation has resulted in stronger relationships. It has also led to an increase in strategic engagements. For instance, Nestle selected Satyam as a partner for its Global Business Excellence project in Q1.

Moreover, our continued focus on expanding our global footprint has resonated with the market. Our enhanced presence in Asia-Pacific and Europe has led to increased opportunities and regional growth. This along with our well-established strength in the US positions us to leverage our global presence to service and provide the transformational efforts of our customers.

Furthermore, during Q1, we engaged in discussions with numerous high-profile, global clients at SatyamWorld Customer Summit. More than 60 CXOs and 150 other decision makers attended the event. These discussions indicated that the demand environment is positive. Against this backdrop and our current performance, we have increased our annual guidance as per US GAAP. Our revenue growth will be between 34 percent and 35.5 percent in FY08, and earnings per ADS will grow between 28.3% and 29.7%.

I am delighted to share with you that Satyam has been ranked as the No. 3 global outsourcing vendor and No. 1 among Indian IT services companies in a survey conducted by Brown-Wilson Group Inc., for the Black Book of Outsourcing' Top 50 Best Managed Companies, 2007.

Overall, it was a strong first quarter performance, and a good beginning to FY08—a year when Satyam's total income will exceed the US$2 billion mark.

B. Ramalinga Raju

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Financial Highlights — Indian GAAP Consolidated
Profit and Loss Account Summary for the quarter ended

In Rs. crore, except per share data

	June 2007	June 2006	Growth over June 2006 Quarter (%)	March 2007	Growth over March 2007 Quarter (%)
Income					
Services					
- Exports	1,776.94	1,376.66	29.08	1,701.01	4.46
- Domestic	53.25	66.27	(19.65)	78.14	(31.85)
Total Services Income	**1,830.19**	**1,442.93**	**26.84**	**1,779.15**	**2.87**
Expenditure					
Personnel Expenses	1,106.18	831.61	33.02	1,076.26	2.78
Cost of Software & Hardware sold	0.25	0.68	(63.24)	0.50	(50.00)
Operating and Administration Expenses	313.47	255.63	22.63	292.17	7.29
	1,419.90	**1,087.92**	**30.52**	**1,368.93**	**3.72**
Operating Profit (EBITDA)	**410.29**	**355.01**	**15.57**	**410.22**	**0.02**
EBITDA Margin	***22.42 %***	***24.60 %***		***23.06 %***	
Financial Expenses	3.32	2.55	30.20	7.42	(55.26)
Depreciation	38.69	36.17	6.97	35.39	9.32
Operating Profit after Interest, depreciation & Miscellaneous Expenses	**368.28**	**316.29**	**16.44**	**367.41**	**0.24**
Other Income	63.20	74.48	(15.15)	70.40	(10.23)
Profit Before Tax	**431.48**	**390.77**	**10.42**	**437.81**	**(1.45)**
Provision for Taxation	53.16	36.77	44.57	44.23	20.19
Profit After Taxation and Before share of loss in Associate Company & Minority Interest	**378.32**	**354.00**	**6.87**	**393.58**	**(3.88)**
Share of loss in Associate Company	—	—		—	
Minority Interest	—	0.12			
Profit After Taxation and share of loss in Associate Company & Minority Interest	**378.32**	**354.12**	**6.83**	**393.58**	**(3.88)**
Earnings Per Share — (Rs. per equity share of Rs. 2 each)					
Basic	5.67	5.44	4.32	5.98	(5.16)
Diluted	5.53	5.24	5.53	5.83	(5.15)
No. of shares used in computing Earnings Per Share					
Basic	667,398,284	651,454,264		658,453,453	
Diluted	684,730,168	675,897,090		675,226,372	

Q1: Performance Against Guidance

	Parameters	Guidance	Actuals
Indian GAAP	Income from Software Services (Rs. crore)	1,801 to 1,810	1,830
	EPS (Rs.)	5.93 to 5.98	5.67
US GAAP	Income from Software Services (USD Million)	432 to 434	452.3
	Basic EPADS (US $)	0.27	0.28

investorLink

Satyam Computer Services Limited

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What Business Demands.

Indian GAAP Consolidated
Balance Sheet as at

In Rs. crore

	June 30		March 31
	2007	**2006**	**2007**
Sources of Funds			
Shareholders' Funds			
(a) Share Capital	179.03	156.27	178.94
(b) Share Application Money, Pending Allotment	4.52	0.98	7.85
(c) Reserves and Surplus	5,974.07	4,552.34	5565.81
	6,157.62	**4,709.59**	**5,752.60**
Loan Funds			
(a) Secured Loans	178.50	118.63	147.88
	6,336.12	**4,828.22**	**5,900.48**
Application of Funds			
Fixed Assets			
(a) Gross Block	1,604.64	1,369.72	1,505.44
(b) Less: Depreciation	1,021.54	875.05	984.79
(c) Net Block	**583.10**	**494.67**	**520.65**
(d) Capital Work in Progress	296.26	122.86	301.69
	879.36	**617.53**	**822.34**
Deferred Tax Asset (Net)	41.34	25.35	43.67
Current Assets, Loans and Advances			
(a) Inventories	0.04	0.18	0.02
(b) Sundry Debtors	1,857.73	1,248.21	1,743.17
(c) Cash and Bank Balances	4,092.79	3,427.11	3,991.42
(d) Loans and Advances	280.88	199.83	229.61
(e) Other Current Assets	116.56	131.91	64.91
	6,348.00	**5,007.24**	**6,029.13**
Less: Current Liabilities and Provisions			
(a) Current Liabilities	497.53	494.61	574.53
(b) Provisions	435.05	327.29	420.13
	932.58	**821.90**	**994.66**
Net Current Assets	**5,415.42**	**4,185.34**	**5,034.47**
	6,336.12	**4,828.22**	**5,900.48**

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Financial Highlights — Indian GAAP Standalone
Standalone Profit and Loss Account Summary for the quarter ended

In Rs. crore, except per share data

	June 2007	June 2006	Growth over June 2006 Quarter (%)	March 2007	Growth over March 2007 Quarter (%)
Income					
Services					
- Exports	1,706.27	1,332.42	28.06	1,637.18	4.22
- Domestic	52.81	54.44	(2.99)	71.85	(26.50)
Total Services Income	**1,759.08**	**1,386.86**	**26.84**	**1,709.03**	**2.93**
Expenditure					
Personnel Expenses	1,059.38	795.13	33.23	1,036.07	2.25
Operating and Administration Expenses	286.99	236.08	21.56	265.78	7.98
	1,346.37	**1,031.21**	**30.56**	**1,301.85**	**3.42**
Operating Profit (EBITDA)	**412.71**	**355.65**	**16.04**	**407.18**	**1.36**
EBITDA Margin	***23.46 %***	***25.64 %***		***23.82 %***	
Financial Expenses	0.51	1.07	(52.34)	4.93	(89.66)
Depreciation	32.55	32.30	0.77	30.46	6.86
Operating Profit after Interest and Depreciation	**379.65**	**322.28**	**17.80**	**371.79**	**2.11**
Other Income	61.85	74.38	(16.85)	69.37	(10.84)
Profit Before Tax	**441.50**	**396.66**	**11.30**	**441.16**	**0.08**
Provision for Taxation	52.36	36.57	43.18	43.66	19.93
Profit After Taxation (PAT)	**389.14**	**360.09**	**8.07**	**397.50**	**(2.10)**
Earnings Per Share — (Rs. per equity share of Rs. 2 each)					
Basic	5.83	5.53	5.53	6.04	(3.41)
Diluted	5.68	5.33	6.63	5.89	(3.51)
No. of Shares used in computing Earnings Per Share					
Basic	667,398,284	651,454,264		658,453,453	
Diluted	684,730,168	675,897,090		675,226,372	

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Indian GAAP Standalone
Balance Sheet as at

In Rs. Crore

	June 30 2007	June 30 2006	March 31 2007
Sources of Funds			
Shareholders' Funds			
(a) Share Capital	133.53	65.26	133.44
(b) Share Application Money, Pending Allotment	4.52	0.98	7.85
(c) Reserves and Surplus	6,068.60	4,668.35	5,648.07
	6,206.65	**4,734.59**	**5,789.36**
Loan Funds			
Secured Loans	17.91	12.67	13.79
	6,224.56	**4,747.26**	**5,803.15**
Application of Funds			
Fixed Assets			
(a) Gross Block	1,363.95	1,180.06	1,280.40
(b) Less: Depreciation	961.81	834.55	930.45
(c) Net Block	**402.14**	**345.51**	**349.95**
(d) Capital Work in Progress	293.37	112.16	290.05
	695.51	**457.67**	**640.00**
Investments	206.44	183.90	201.15
Deferred Tax Assets (net)	41.05	24.93	43.36
Current Assets, Loans and Advances			
(a) Sundry Debtors	1,764.72	1,186.84	1,649.86
(b) Cash and Bank Balances	4,057.69	3,370.34	3,959.82
(c) Loans and Advances	291.70	201.19	261.75
(d) Other Current Assets	116.47	131.86	64.83
	6,230.58	**4,890.23**	**5,936.26**
Less: Current Liabilities and Provisions			
(a) Current Liabilities	514.94	487.51	597.17
(b) Provisions	434.08	321.96	420.45
	949.02	**809.47**	**1,017.62**
Net Current Assets	**5,281.56**	**4,080.76**	**4,918.64**
	6,224.56	**4,747.26**	**5,803.15**

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Financial Highlights — US GAAP

Unaudited Consolidated Statement of Operations Summary for the quarter ended

In million US dollars, except per share data and as stated otherwise

	June 2007	June 2006	Growth over June 2006 Quarter (%)	March 2007	Growth over March 2007 Quarter %
Revenues	**$452.3**	**$322.5**	**40.3**	**$411.3**	**10.0**
Gross Profit	$163.1	$117.0	39.4	$147.0	11.0
Operating Income	$ 90.1	$ 66.9	34.7	$ 81.0	11.2
Operating Margin	**19.92%**	**20.74%**		**19.69%**	
Income Before Income Taxes, Minority Interest and Equity in Earnings / (Losses) of Associated Companies	$104.9	$ 82.6	27.0	$ 95.2	10.2
Income Taxes	$(11.8)	$ (7.3)	61.64	$ (8.9)	32.6
Income Before Equity in Earnings / (Losses) of Associated Companies	$ 93.1	$ 75.3	23.6	$ 86.3	7.8
Equity in Earnings / (Losses) of Associated Companies, net of taxes	—	$ 0.2	—	—	—
Net Income	**$ 93.1**	**$ 75.5**	**23.3**	**$ 86.3**	**7.9**
Earnings Per Share:					
Basic	$ 0.14	$ 0.12	20.3	$ 0.13	6.4
Diluted	$ 0.14	$ 0.11	22.1	$ 0.13	6.3
Weighted average number of shares used in computing earnings per share (in millions)					
Basic	665.1	649.0		652.2	
Diluted	679.5	673.0		669.7	

Reconciliation Between Net Profit As Per Indian GAAP Consolidated Financials and US GAAP

In million US dollars

	Quarter Ended June 2007	Quarter Ended June 2006	Quarter ended March 2007
Profit as per Indian GAAP consolidated Financial Statements	$92.1	$78.2	$89.4
Add / (Deduct)			
1. Deferred Stock Compensation Charge	$(0.6)	$(3.7)	$(2.0)
2. Others, net	$ 1.6	$ 1.0	$(1.1)
Net Income as per US GAAP Financial Statements	**$93.1**	**$75.5**	**$86.3**

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Subsidiaries and Joint Ventures

Quarterly Q1 FY08

In Rs. Crore

	Revenue	PAT
Subsidiaries		
Nipuna	48.65	(8.27)
Citisoft	23.08	0.58
STI	1.00	(0.26)
China	9.71	(2.02)
Joint Ventures		
CA Satyam	0.91	(0.18)
Satyam Venture	16.93	0.18

Business Outlook

EPS and EPADS is based on basic numer of shares / ADS

	Q1 2008	Q2 2008	Growth	FY 2007	FY 2008	Growth
Indian GAAP						
Consolidated Financials						
Revenue (Rs. Crore)	1,830	1,917 - 1,926	4.7% to 5.2%	6,485	7,853 - 7,942	21.1% - 22.5%
EPS (Rs. per share)	5.67	5.36 - 5.41	-5.4% to -4.6%	21.45	24.14 - 24.46	12.5% - 14.0%
US GAAP						
Revenue (US $ mn)	452.3	477.2 - 479.4	5.5% to 6.0%	1,461	1,958 - 1,980	34.0% - 35.5%
EPADS (US$ per ADS)	0.28	0.26	-7.6%	0.91	1.17 - 1.19	28.3% - 29.7%
Average INR/US$ exchange rate	40.79	40.50	—	45.06		

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Awards & Recognition

Satyam wins Partner of Year Award from Oracle

Satyam won "Partner of the Year 2007 award for Acquired Applications" from Oracle. The award recognizes Satyam's capabilities in building new competencies in quick time and ability to add value to the partnership and customers across Oracle family of products.

Satyam wins VIP award from Computer Associates

Satyam is the Winner of CA's Business Service Optimization (BSO) business unit's VIP (Vision, Impact, Progress) Award in the IMPACT category. The Impact Award recognizes demonstrable and measurable results from improved IT, especially in terms of productivity, financial benefits, quality improvements and / or customer satisfaction.

Satyam's Testing Practice wins Leadership Award

Satyam became the first Indian SI to win the prestigious "Competitive Strategy Leadership Award for Offshore Testing Market" from Frost & Sullivan, a leading International research & consulting company, that has placed Satyam in the Thought Leadership Quadrant in the testing space.

Satyam Top Indian company and Global No. 3 in top 10 IT outsourcing vendors as per the Black Book of Outsourcing, 2007

Satyam ranked No. 1 amongst Indian IT companies and No. 3 globally (based on cumulative rankings for years 2004 through 2007) out of 1455 outsourcing vendors in 77 countries in a survey conducted by Brown-Wilson Group Inc., for publishing in The Black Book of Outsourcing.

Satyam also ranked No. 1 Globally on the following sub categories:

- ITO: Application Services
- ITO: Process Consulting
- ITO: Business Intelligence & Data Warehousing
- ITO: Full Service ERP: SAP/Oracle/PeopleSoft/JDEdwards
- ESO: Integrated Solutions
- ESO: Full Service PLM /End-to-End

Satyam wins "Citizenship Partner of the Year" award from Microsoft

Satyam Computer Services Ltd., was adjudged as the Winner of the "Citizenship Partner of the Year" award at the Microsoft Worldwide Partner Conference Awards. The Citizenship Partner of the Year award recognizes exceptional partners that have made a sustained commitment to society and their communities and can demonstrate the impact of their work. Satyam's **"Emergency Management & Research Institute" (EMRI),** a solution offering from the Satyam Healthcare Providers industry practice, was recognized for superior technology and innovation in Citizenship.

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Business Highlights

Satyam added 29 new customers in Q1 including 2 US Fortune 500 corporations

Some of the prominent customer additions were a leading US chemical manufacturer, one of the world's largest manufacturers of fiberglass & related products and Australia's largest transportation company.

Satyam is working to provide high-end design, computer-aided engineering (CAE), analysis, product lifecycle management, and other services for the world's leading business,special-mission, and trainer aircraft manufacturer. The arrangement will enable the customer fulfill orders more quickly, while maintaining exacting quality standards.

Satyam is addressing the on-going initiative by Singapore Government to outsource its IT needs to reap the full gains of technological revolution and sizeable macroeconomic benefits. Under the new multi-year agreements, Satyam will have end-to-end responsibility for application management and maintenance of new and existing systems of two departments of the Government on future technology directions and business practices.

A leading bank in the Middle-East signed a strategic contract with Satyam to implement an end-to-end Enterprise Financial Management (EFM) solution. This solution is critical to the bank's business needs and will create a single source of financial data.

Satyam provided a directional roadmap and an IT strategy recommendation for a large American bank to globalize their Shared Services Group.

Satyam led one of India's largest retail bank's foray into internet banking by successfully rolling out an Internet Banking solution. Currently over 3500 branches are Internet Banking enabled providing a seamless Internet front end to a variety of backend banking.

Satyam bagged a prestigious infrastructure management contract with a global FMCG company for Managed Data Center support services for their Data Centers in US and Europe. Satyam RightsourcingTM model enabled improved service levels and cost effective delivery model for the client with their existing infrastructure.

Satyam is working with a global major to design and develop an Electronic Article Surveillance System (EAS) to be installed across all their retail shops.

Satyam's proven experience in Design and Implementation of bespoke IT Solutions in Credit Cards processing domain, has been critical in winning a strategic engagement with Global Credit Card processing major located in North America.

Nipuna Services Limited - Business Highlights

For Q1 2008, Nipuna posted revenue of US$ 11.93 mn and a net loss of US$ 2.02 mn. The revenue guidance for fiscal 2008 is US$ 61 mn, a growth of 60% over the previous year.

Nipuna has opened its fourth facility in Hyderabad. With this, Nipuna has six facilities across Hyderabad, Bangalore and Chennai. Nipuna now has infrastructure to accommodate approximately 5,000 employees. As of June 30, 2007 Nipuna's headcount stands at 2994.

Nipuna has won two strategic deals in the research and consulting space towards guiding the strategic department of a large oil and gas exploration company to formulate a merger, acquisition and divestment department function and to conduct supplier research across IT services for its procurement department

During the quarter, Nipuna entered into an alliance with Phoenix Marketing International, one of the fastest growing marketing services firms in the United States, to launch a cost-effective, highly predictive modeling methodology - Customer Intelligence Program (CIP). A unique aspect of CIP is the direct linkage of attitudes to stated or actual buyer behavior, allowing clients to evaluate the financial risks and benefits of positive and negative customer experiences.

Nipuna was awarded the "Best Established Indian ITeS Company" by the Hyderabad Software Exporters Association (HYSEA) for FY 2007.

NIPUNA
A Satyam Company

Operational parameters for Q1, Fiscal 2008

(Please note that all metrics are based on Indian GAAP Standalone numbers only)

A. Revenue Analysis

Analysis of Volume Growth (%)

Particulars	Q1 2008	Q4 2007	Q1 2007
Change in Volume (Total)	9.50	9.46	7.24

Break up of export revenue between offshore and onsite (%)

Location	Q1 2008	Q4 2007	Q1 2007	FY 2007
Offshore	51.96	50.62	47.17	48.66
Onsite	48.04	49.38	52.83	51.34
Total	**100.00**	**100.00**	**100.00**	**100.00**

Revenue by region (%)

Region	Q1 2008	Q4 2007	Q1 2007	FY 2007
Americas	61.71	62.56	65.91	64.53
Europe	20.10	19.86	17.59	18.69
Rest of World	18.19	17.59	16.50	16.78
Total	**100.00**	**100.00**	**100.00**	**100.00**

Revenue by service offerings (%)

Technology	Q1 2008	Q4 2007	Q1 2007	FY 2007
Application Development & Maintenance Service	43.70	46.42	48.49	47.46
Consulting and Enterprise Business Solutions	44.20	42.61	40.26	41.41
Extended Engineering Solutions	7.20	7.00	6.01	6.58
Infrastructure Management Services	4.90	3.98	5.24	4.55
Total	**100.00**	**100.00**	**100.00**	**100.00**

Revenue by line of business (%)

Line of business	Q1 2008	Q4 2007	Q1 2007	FY 2007
Banking , Financial Services & Insurance	23.75	24.74	29.65	26.97
Manufacturing	25.87	27.16	27.84	27.18
TIMES (Telecom, Infrastructure, Media, Entertainment, Semiconductor)	21.95	21.79	19.12	20.58
Healthcare & Pharma	8.03	8.03	6.53	7.42
Retail, Tranportation & Logistics	6.90	6.42	5.35	5.79
Others	13.50	11.86	11.51	12.07
Total	**100.00**	**100.00**	**100.00**	**100.00**

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Operational parameters for Q1, Fiscal 2008 (contd.)

Revenue by contract type (%)

Contract	Q1 2008	Q4 2007	Q1 2007	FY 2007
Time & Material	67.91	64.88	62.14	60.71
Fixed Bid	32.09	35.12	37.86	39.29
Total	**100.00**	**100.00**	**100.00**	**100.00**

Changes in billing rates (%)

Particulars	For the Quarter Sequential	For the Quarter Year on Year	FY 2007
Onsite	1.31	2.92	1.18
Offshore	1.46	2.38	0.71

B. Associate Data
Location-wise break up of Associates

Particulars	Q1 2008	Q4 2007	Q1 2007
Onsite	7,635	7,073	5,967
Offshore	27,600	25,269	18,831
Domestic	1,121	1,470	1,055
Total Technical	**36,356**	**33,812**	**25,853**
Support	2,030	1,858	1,781
Total	**38,386**	**35,670**	**27,634**

Total number of associates including subsidiaries & joint ventures is 42,347 (Q4 2007-39,552)

Attrition

Particulars	Q1 2008	Q4 2007	Q1 2007
Attrition rate (TTM)	14.90	15.70	19.62

Utilization/Loading rates (in %)

Particulars	Q1 2008	Q4 2007	Q1 2007	FY 2007
Onsite	96.19	96.63	97.03	96.84
Offshore	79.92	78.42	79.56	78.52
Domestic	70.04	96.89	96.06	94.48
Offshore with trainees	76.54	71.34	71.24	70.50

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Operational parameters for Q1, Fiscal 2008 (contd.)

C. Customer Information
Revenue contribution (in %)

Revenues from	Q1 2008	Q4 2007	Q1 2007	FY 2007
Top customer	5.66	6.11	7.12	6.52
Top 5 customers	21.08	23.15	22.68	21.97
Top 10 customers	34.35	36.25	34.43	34.12

Number of customers with annualized billing exceeding:

Revenues of	Q1 2008	Q4 2007	Q1 2007
US$1 million	190	180	142
US$5 million	65	57	51
US$10 million	36	35	33

Revenue from existing business and new business (%)

	Q1 2008	Q4 2007	Q1 2007
Existing business	89.48	88.71	87.70
New business	10.52	11.29	12.30
Total	**100.00**	**100.00**	**100.00**

Other Information

Particulars	Q1 2008	Q4 2007	Q1 2007
New customers added	29	35	34
Number of active customers	551	538	489
Receivable days	90	87	77

Total number of customers including Citisoft, Knowledge Dynamics and Nipuna is 570

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About Satyam Computer Services Limited

Satyam Computer Services Ltd. (NYSE: SAY) is a global IT consulting and services provider, offering a range of expertise aimed at helping customers re-engineer and re-invent their businesses to compete successfully in an ever-changing marketplace. Nearly 42,500* highly-skilled professionals in Satyam work onsite, offsite, offshore and nearshore, to provide customized IT solutions for companies in several industry sectors.

Satyam's ideas and products have resulted in technology-intensive transformations that have met the most stringent of international quality standards. Satyam Development Centers in India, the USA, the UK, the UAE, Canada, Hungary, Malaysia, Singapore, China, Japan and Australia serve 570* global companies, of which 165* are Fortune Global 500 and Fortune US 500 corporations. Satyam's presence spans 57* countries, across six continents. For more information visit: **www.satyam.com**

** As of June 30,2007*

Safe Harbor

This press release contains forward-looking statements within the meaning of section 27A of Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Satyam undertakes no duty to update any forward-looking statements. For a discussion of the risks associated with our business, please see the discussions under the heading "Risk Factors" in our report on Form 20-F concerning the year ended March 31, 2007, furnished to the United States Securities Exchange Commission on April 30, 2007 and the other reports filed with the Securities Exchange Commission from time to time. These filings are available at **http://www.sec.gov.**

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<DOCUMENT>
<TYPE> EX-99.4
<FILENAME> u93075exv99w4.htm
<DESCRIPTION> EX-99.4 Unconsolidated/standalone financial statements for the quarter ended Jun
<TEXT>

Exhibit 99.4

Satyam Computer Services Limited
Description of Business

The Company is an information technology ("IT") services provider that uses a global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. The Company was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. The range of services offered by it, either on a "time and material" basis or "fixed price", includes consulting, systems design, software development, system integration and application maintenance. The Company offers a comprehensive range of IT services, including software development, packaged software integration, system maintenance and engineering design services. The Company has a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Statement on Significant Accounting Policies

a) Basis of Presentation

The financial statements of the Company are prepared under historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Indian Companies Act, 1956.

b) Use of Estimates

The preparation of the financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period/year. Actual results could differ from those estimates.

c) Revenue Recognition

Revenue from professional services consist primarily of revenue earned from services performed on a "time and material" basis. The related revenue is recognized as and when the services are performed.

The Company also performs time bound fixed-price engagements, under which revenue is recognized using the percentage of completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses on such engagements are made during the period/year in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as advance from customers/unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

d) Fixed Assets

Fixed assets are stated at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

Depreciation on fixed assets is computed on the straight line method over their estimated useful lives at the rates which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs.5,000 are entirely depreciated in the period/year of acquisition.

The cost of and the accumulated depreciation of fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Costs of application software for internal use are generally charged to revenue as incurred due to its estimated useful lives being relatively short, usually less than one year.

The estimated useful lives are as follows:

Buildings	28 years
Computers	2 years
Plant and Machinery (Other than Computers)	5 years
Software – used in Development for Projects	3 years
Office Equipment	5 years
Furniture, Fixtures and Interiors	5 years
Vehicles	5 years

Capital work in progress

Assets under installation or under construction as at the Balance sheet date are shown as Capital work in progress. Advances paid towards acquisition of assets are also included under Capital work in progress.

e) Goodwill

Goodwill represents the difference between the purchase price and the book value of assets and liabilities acquired. Goodwill is amortized over the useful life of the asset. The goodwill is reviewed for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. If impairment is indicated, the asset is written down to its fair value.

f) Investments

Investments are classified into current investments and long-term investments. Current investments are carried at the lower of cost and market value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the profit and loss account. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

g) Foreign Currency Translation

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account.

Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

The operations of foreign branches of the company are of integral in nature and the financial statements of these branches are translated using the same principles and procedures as those of head office.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gain/Loss on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense of the period / year.

In all other cases the gain or loss on forward exchange contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period), is recognized in the profit and loss account of the period/year.

h) Employee Benefits

Contributions to defined Schemes such as Provident Fund, Employee State Insurance Scheme and Superannuation are charged as incurred on accrual basis. The Company also provides for gratuity and leave encashment in accordance with the requirements of revised Accounting Standard – 15 "Employee Benefits" based on actuarial valuation carried out as at the balance sheet date.

i) Taxes on Income

Tax expense for the year comprises of current tax and deferred tax. Current taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the period / year of change. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

j) Earnings per Share

The earnings considered in ascertaining the Company's Earnings Per Share (EPS) comprises the net profit after tax (and includes the post tax effect of any extra ordinary items). The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period / year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving Basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period / year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). The number of shares and potentially dilutive shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

k) Associate Stock Option Scheme

Stock options granted to the associates under the stock option schemes established after June 19, 1999 are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on graded vesting basis over the vesting period of the options. The employee stock option outstanding is shown under Reserves and Surplus.

l) Research and Development

Revenue expenditure incurred on research and development is charged to revenue in the year/period in which it is incurred. Assets used for research and development activities are included in fixed assets.

Satyam Computer Services Limited

Balance Sheet

Rs. in Crores

	Schedule Reference	As at 30.06.2007	As at 30.06.2006	As at 31.03.2007
I. Sources of Funds :				
1. Shareholders' Funds				
(a) Share Capital	1	133.53	65.26	133.44
(b) Share application money, pending allotment		4.52	0.98	7.85
(c) Reserves and Surplus	2	6,068.61	4,668.35	5,648.07
		6,206.66	**4,734.59**	**5,789.36**
2. Loan Funds				
(a) Secured Loans	3	17.91	12.67	13.79
		6,224.57	**4,747.26**	**5,803.15**
II. Application of Funds :				
1. Fixed Assets	4			
(a) Gross Block		1,363.95	1,180.06	1,280.40
(b) Less: Depreciation / Amortisation		961.81	834.55	930.45
(c) Net Block		**402.14**	**345.51**	**349.95**
(d) Capital Work in Progress		293.38	112.16	290.05
		695.52	**457.67**	**640.00**
2. Investments	5	206.44	183.90	201.15
3. Deferred Tax Assets (net)	6	41.05	24.93	43.36
4. Current Assets, Loans and Advances				
(a) Sundry Debtors	7	1,764.72	1,186.84	1,649.86
(b) Cash and Bank Balances	8	4,057.69	3,370.34	3,959.82
(c) Loans and Advances	9	291.70	201.19	261.75
(d) Other Current Assets - Interest Accrued on Fixed Deposits		116.47	131.86	64.83
		6,230.58	**4,890.23**	**5,936.26**

	Schedule Reference	As at 30.06.2007	As at 30.06.2006	Rs. in Crores As at 31.03.2007
Less: Current Liabilities and Provisions				
(a) Liabilities	10	514.94	487.51	597.17
(b) Provisions	11	434.08	321.96	420.45
		949.02	**809.47**	**1,017.62**
Net Current Assets		**5,281.56**	**4,080.76**	**4,918.64**
		6,224.57	**4,747.26**	**5,803.15**
Notes to Accounts	15			

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

Srinivas Talluri
Partner
for and on behalf of
Price Waterhouse
Chartered Accountants

Place : Secunderabad
Date : July 20, 2007

for and on behalf of the Board of Directors

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director
& Sr. Vice President - Finance

G. Jayaraman
Sr. Vice President (Corp. Governance)
& Company Secretary

Place : Secunderabad
Date : July 20, 2007

Satyam Computer Services Limited

Profit and Loss Account

Rs. in Crores

	Schedule Reference	for the Quarter Ended 30.06.2007	for the Quarter Ended 30.06.2006	for the Year Ended 31.03.2007
Income				
Services				
- Exports		1,706.27	1,332.42	5,961.06
- Domestic		52.81	54.44	267.41
Other Income	12	61.85	74.38	181.61
		1,820.93	**1,461.24**	**6,410.08**
Expenditure				
Personnel Expenses	13	1,059.38	795.13	3,706.04
Operating and Administration Expenses	14	286.99	236.08	993.31
Financial Expenses		0.51	1.07	7.61
Depreciation / Amortisation		32.55	32.30	129.89
		1,379.43	**1,064.58**	**4,836.85**
Profit Before Taxation		441.50	396.66	1,573.23
Provision for Taxation - Current		46.80	45.65	168.15
- Fringe Benefit		3.25	2.70	12.06
- Deferred		2.31	(11.78)	(30.21)
Profit After Taxation		**389.14**	**360.09**	**1,423.23**
Add: Balance brought forward		3,848.32	2,836.81	2,836.81
Less: Residual dividend and additional dividend tax		—	—	(0.56)
Profit Available for Appropriation		**4,237.46**	**3,196.90**	**4,260.60**
Appropriations :				
Interim Dividend (2007- Rs. 1.00 per Equity Share)		—	—	65.61
Final Dividend (2007-Rs. 2.50 per Equity Share)		—	—	166.80

Rs. in Crores

	Schedule Reference	for the Quarter Ended 30.06.2007	for the Quarter Ended 30.06.2006	for the Year Ended 31.03.2007
Tax on dividends		—	—	37.55
Transfer to General Reserve		—	—	142.32
Balance carried to Balance Sheet		**4,237.46**	**3,196.90**	**3,848.32**
Earnings Per Share (Rs. per equity share of Rs. 2 each)				
Basic		5.83	5.53	21.73
Diluted		5.68	5.33	21.25
No. of Shares used in computing Earnings Per Share				
Basic		667,398,284	651,454,264	654,853,959
Diluted		684,730,168	675,897,090	669,626,864
Notes to Accounts	15			

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

Srinivas Talluri
Partner
for and on behalf of
Price Waterhouse
Chartered Accountants

Place : Secunderabad
Date : July 20, 2007

for and on behalf of the Board of Directors

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director
& Sr. Vice President-Finance

G. Jayaraman
Sr. Vice President (Corp. Governance)
& Company Secretary

Place : Secunderabad
Date : July 20, 2007

Satyam Computer Services Limited

Schedules forming part of the Balance Sheet

Rs. in Crores

		As at 30.06.2007	As at 30.06.2006	As at 31.03.2007
1.	**Share Capital**			
	Authorised :			
	800,000,000 (June 30, 2006 - 375,000,000; March 31, 2007 - 800,000,000) Equity Shares of Rs. 2 each	**160.00**	**75.00**	**160.00**
	Issued and Subscribed :			
	667,670,523 (June 30, 2006 - 326,310,041; March 31, 2007 - 667,196,009) Equity Shares of Rs. 2 each fully paid-up	133.53	65.26	133.44
	Out of the above:			
	4,000,000 Equity Shares of Rs. 2 each were allotted as fully paid-up for a consideration other than cash pursuant to the Scheme of Amalgamation with Satyam Enterprise Solutions Limited			
	468,289,738 (June 30, 2006 - 140,595,000; March 31, 2007 - 468,289,738) Equity Shares of Rs. 2 each were allotted as fully paid-up by way of Bonus Shares by capitalising free reserves of the Company			
	130,245,596 (June 30,2006 -129,530,108;March 31,2007-130,209,472) Equity Shares of Rs. 2 each fully paid-up represent 65,122,798 (June 30,2006 - 64,765,054;March 31,2007-65,104,736) American Depository Shares			
	38,590,523 (June 30,2006 - 23,540,082;March 31,2007-38,116,009) Equity Shares of Rs. 2 each fully paid-up were alloted to associates of the Company pursuant to the Associate Stock Option Plan — B (ASOP-B) and Associate Stock Option Plan — ADS (ASOP-ADS)			
2.	**Reserves and Surplus**			
	Share Premium Account			
	As at April 1	1,321.18	1,028.63	1,028.63
	Add: Received on account of issue of ADS / ASOP	7.74	57.02	292.55
		1,328.92	1,085.65	1,321.18
	General Reserve			
	As at April 1	462.10	402.79	402.79
	Add: Transfer from the Profit and Loss Account	—	—	142.32

Rs. in Crores

		As at 30.06.2007	As at 30.06.2006	As at 31.03.2007
		462.10	402.79	545.11
	Less: Provision for leave encashment (Refer note (l) of Schedule 15)	—	17.47	17.47
	Less: Utilised on issue of bonus shares (Refer note (i) of Schedule 15)	—	—	65.54
		462.10	385.32	462.10
	Employee Stock Options			
	Employee Stock Options Outstanding	183.47	0.48	180.61
	Less: Deferred Employee Compensation	143.34	—	164.14
		40.13	0.48	16.47
	Balance in Profit and Loss Account	4,237.46	3,196.90	3,848.32
		6,068.61	**4,668.35**	**5,648.07**
3.	**Secured Loans**			
	Vehicle Loans	17.91	12.67	13.79

Satyam Computer Services Limited

Schedules forming part of the Balance Sheet

4. Fixed Assets

Rs. in Crores

	GROSS BLOCK				DEPRECIATION /AMORTISATION				NET BLOCK	
DESCRIPTION	As at 01.04.2007	Additions	Deletions	As at 30.06.2007	As at 01.04.2007	For the period	On Deletions	As at 30.06.2007	As at 30.06.2007	As at 31.03.2007
1. Land & Land Development										
-Freehold*	38.24	—	—	38.24	—	—	—	—	38.24	38.24
-Leasehold	8.13	0.64	—	8.77	0.03	—	—	0.03	8.74	8.10
2. Buildings**	101.76	15.46	—	117.22	16.84	0.99	—	17.83	99.39	84.92
3. Plant and Machinery (Including Computers and Software)	873.32	42.58	—	915.90	733.63	24.29	—	757.92	157.98	139.69
4. Office Equipment	25.99	1.45	—	27.44	17.01	0.91	—	17.92	9.52	8.98
5. Furniture, Fixtures and Interiors	194.90	19.64	—	214.54	146.41	4.45	—	150.86	63.68	48.49
6. Vehicles	38.06	5.52	1.74	41.84	16.53	1.91	1.19	17.25	24.59	21.53
Total	**1,280.40**	**85.29**	**1.74**	**1,363.95**	**930.45**	**32.55**	**1.19**	**961.81**	**402.14**	**349.95**
As at 30.06.2006	**1,153.16**	**28.89**	**1.99**	**1,180.06**	**803.74**	**32.30**	**1.49**	**834.55**	**345.51**	**—**

* Includes Rs. 12.24 crores (March 31, 2007 — Rs. 12.24 crores) In respect of which deed of conveyance is pending.

** Includes Rs. 38.85 crores (March 31, 2007 — Rs. 38.85 crores) constructed on leasehold land.

Satyam Computer Services Limited
Schedules forming part of the Balance Sheet

Rs. in Crores

		As at 30.06.2007		As at 30.06.2006		As at 31.03.2007	
5.	**Investments**						
Long Term							
i)	**Trade (Unquoted)**						
	Satyam Venture Engineering Services Private Limited 3,544,480 Shares of Rs. 10 each, fully paid-up		3.54		3.54		3.54
	CA Satyam ASP Private Limited 7,168,995 Equity Shares of Rs. 10 each, fully paid-up		7.17		7.17		7.17
	Intouch Technologies Limited 833,333 Shares of 20 US cents each, fully paid-up	10.90		10.90		10.90	
	Less : Provision for diminution	10.90	—	10.90	—	10.90	—
	Medbiquitious Services Inc., 334,000 Shares of ‘A’ series Preferred Stock of US Dollars 0.001 each, fully paid-up	1.57		1.57		1.57	
	Less : Provision for diminution	1.57	—	1.57	—	1.57	—
	Avante Global LLC., 577,917 class ‘A’ units representing a total value of US Dollars 540,750	2.54		2.54		2.54	
	Less : Provision for diminution	2.54	—	2.54	—	2.54	—
	Jasdic Park Company 480 Shares of J Yen 50,000 each, fully paid-up	0.75		0.75		0.75	
	Less : Received on liquidation	0.26		0.26		0.26	
	Less : Provision for diminution	0.49	—	0.49	—	0.49	—
	Investments in subsidiary companies						
	Satyam Technologies Inc., 100,000 Common Stock of 1 US cent each, fully paid-up		20.22		20.22		20.22
	Nipuna Services Limited 18,268,000 Equity Shares of Rs. 10 each, fully paid-up		18.27		18.27		18.27

Rs. in Crores

	As at 30.06.2007		As at 30.06.2006		As at 31.03.2007	
Satyam Computer Services (Shanghai) Co. Limited$$ (Additional subscription during the period/year)		29.03		16.61		25.75
Citisoft Plc 11,241,000 Ordinary Shares of 0.01 GBP each, fully paid up		113.57		103.45		111.56
Knowledge Dynamics Pte Ltd 10,000,000 Ordinary Shares of 0.01 SGD each, fully paid up		14.64		14.64		14.64
Satyam (Europe) Limited 1,000,000 Equity Shares of 1 GBP each, fully paid-up	6.98		6.98		6.98	
Less: Provision for losses	6.98	—	6.98	—	6.98	—
Satyam Japan KK 200 Common Stock of J Yen 50,000 each, fully paid-up	0.42		0.42		0.42	
Less: Provision for losses	0.42	—	0.42	—	0.42	—
Satyam Asia Pte Limited 400,000 Ordinary Shares of 1 Singapore Dollar each, fully paid-up	1.03		1.03		1.03	
Less: Provision for losses	1.03	—	1.03	—	1.03	—
Dr. Millennium, Inc., 710,000 Common Stock of 1 US Dollar each , fully paid-up	3.09		3.09		3.09	
Less : Received on account of reduction of Share Capital	2.99		2.99		2.99	
Less: Provision for losses	0.10	—	0.10	—	0.10	—
Vision Compass, Inc. 425,000,000 Common Stock of 1US Cent each, fully paid-up	89.94		89.94		89.94	
Less : Provision for diminution	89.94	—	89.94	—	89.94	—
Satyam IdeaEdge Technologies Private Limited 10,000 Equity Shares of Rs. 10 each, fully paid-up	0.01		0.01		0.01	
Less : Provision for diminution	0.01	—	0.01	—	0.01	—
ii) Non Trade (Unquoted)						
National Savings Certificates, VIII Series (Lodged as security with government authorities)		—		—		—
		206.44		**183.90**		**201.15**

$$ Investment is not denominated in number of shares as per laws of the People's Republic of China.

Satyam Computer Services Limited
Schedules forming part of the Balance Sheet

Rs. in Crores

		As at 30.06.2007	As at 30.06.2006	As at 31.03.2007
6.	**Deferred Tax Assets (net)**			
	Debtors — Provision for doubtful debts	11.89	10.98	11.83
	Advances — Provision for doubtful advances	1.45	1.43	1.43
	Fixed Assets — Depreciation	(28.80)	(25.37)	(24.13)
	Others — Retirement Benefits etc.	56.51	37.89	54.23
		41.05	**24.93**	**43.36**
7.	**Sundry Debtors (Unsecured)**			
	Considered good *			
	(a) Over six months old	29.51	18.73	23.79
	(b) Other debts	1,735.21	1,168.11	1,626.07
		1,764.72	1,186.84	1,649.86
	Considered doubtful **	120.84	106.16	117.26
		1,885.56	1,293.00	1,767.12
	Less: Provision for doubtful debts **	120.84	106.16	117.26
		1,764.72	**1,186.84**	**1,649.86**

* Debtors include dues from subsidiaries 5.20 crores (June 30,2006 — Rs. 4.61 crores,March 31,2007-Rs.4.15 crores) and Unbilled revenue Rs. 176.15 crores (June 30,2006 — Rs. 251.52 crores,March 31,2007- Rs.158.18 crores)

** Includes dues from subsidiaries Rs. 18.89 crores (June 30,2006 — Rs. 18.89 crores,March 31,2007-Rs.18.89 Crores)

Rs. in Crores

		As at 30.06.2007	As at 30.06.2006	As at 31.03.2007
8.	**Cash and Bank Balances**			
	Cash on hand	0.04	0.05	0.04
	Remittances in transit	—	9.38	—
	Balances with Scheduled Banks			
	- On Current Accounts*	600.34	1,387.95	415.18
	- On Deposit Accounts	3,318.82	1,855.70	3,365.82
	Unclaimed Dividend Accounts	6.26	4.96	6.33
	Balances with Non-Scheduled Banks**			
	- On Current Accounts	131.43	111.56	171.61
	- On Deposit Accounts	0.80	0.74	0.84
		4,057.69	**3,370.34**	**3,959.82**

* Includes unutilised amount of ADS issue proceeds — Rs. Nil (June 30,2006 — Rs. 179.23 crores,March 31,2007-Nil)

** Refer note (f) of Schedule 15

9.	**Loans and Advances**			
	(Considered good unless otherwise stated)			
	Secured — Loans	0.04	0.10	0.04
	Unsecured — Advances recoverable in cash or in kind or for value to be received*	200.75	127.57	182.28
	- Deposits	90.91	73.52	79.43
	Considered doubtful — Advances **	72.23	65.37	71.33
		363.93	266.56	333.08
	Less: Provision for doubtful Advances **	72.23	65.37	71.33
		291.70	**201.19**	**261.75**

* Includes advances and share application money to subsidiaries Rs. 34.84 crores (June 30,2006 — Rs. 9.52 crores,March 31,2007-Rs.44.96 crores)

** Includes due from subsidiaries Rs.48.12 crores (June 30,2006 — Rs. 48.12 crores,March 31,2007-Rs.48.12 crores)

10.	**Liabilities**			
	Sundry Creditors			
	- Dues to small scale industrial undertakings	—	—	—
	- Dues to other than small scale industrial undertakings	340.22	368.06	443.33
	Advances from Customers	1.20	1.16	1.23

			Rs. in Crores
	As at 30.06.2007	**As at 30.06.2006**	**As at 31.03.2007**
Unearned Revenue	97.19	66.25	87.52
Investor Education Protection Fund shall be credited by the following amounts —			
Unclaimed Dividends	6.26	4.96	6.33
Other Liabilities	70.07	47.08	58.76
	514.94	**487.51**	**597.17**

11. Provisions

Provision for Taxation (less payments)	72.67	22.54	64.20
Proposed Dividend (including tax thereon)	195.15	186.85	195.15
Provision for Gratuity and Leave Encashment	166.26	112.57	161.10
	434.08	**321.96**	**420.45**

Satyam Computer Services Limited

Schedules forming part of the Profit and Loss Account

			Rs. In Crores
	for the Quarter Ended 30.06.2007	**for the Quarter Ended 30.06.2006**	**for the Year Ended 31.03.2007**
12. Other Income			
Interest on deposits and advances — Gross {Tax Deducted at Source Rs. 15.23 crores} (June 30, 2006- Rs.6.47 crores,March 31,2007 - Rs. 25.94 crores)	67.34	28.88	165.77
Gain/(Loss) on exchange fluctuations (net)	(6.11)	45.19	13.54
Miscellaneous income	0.62	0.31	2.30
	61.85	**74.38**	**181.61**
13. Personnel Expenses			
Salaries and bonus	962.19	740.18	3,425.89
Contribution to provident and other funds	69.72	51.04	248.22
Staff welfare expenses	3.81	3.92	15.94
Employee stock compensation expense	23.66	(0.01)	15.99
	1,059.38	**795.13**	**3,706.04**
14. Operating and Administration Expenses			
Rent	24.58	18.87	88.07
Rates and taxes	5.50	5.82	24.46
Insurance	3.83	3.83	16.52
Travelling and conveyance	98.88	76.04	367.57
Communication	19.05	15.28	64.32
Printing and stationery	1.04	1.15	8.10
Power and fuel	11.41	8.79	34.68
Advertising	1.06	1.18	3.24
Marketing expenses	17.10	17.39	59.63

			Rs. In Crores
	for the Quarter Ended 30.06.2007	**for the Quarter Ended 30.06.2006**	**for the Year Ended 31.03.2007**
Repairs and maintenance			
- Buildings	0.78	0.62	2.69
- Machinery	3.89	3.59	14.45
- Others	6.05	5.16	27.00
Security services	1.58	0.98	4.97
Legal and professional charges	42.81	32.98	139.48
Provision for doubtful debts and advances	5.94	2.26	19.33
Loss on sale of Fixed Assets (net)	0.36	0.16	0.79
Directors’ sitting fees	0.01	0.01	0.04
Auditors’ remuneration	0.65	0.27	3.67
Donations and contributions	1.04	0.87	3.62
Subscriptions	0.71	0.65	3.13
Training and development	9.24	4.00	22.35
Research and development	0.41	0.34	1.29
Software charges	3.23	8.40	20.22
Managerial remuneration			
- Salaries	0.52	0.09	1.66
- Commission	0.22	0.15	0.95
- Contribution to Provident Fund	0.01	0.01	0.04
- Others	0.04	0.05	0.22
Visa charges	23.72	23.28	44.47
Miscellaneous expenses	3.33	3.86	16.35
	286.99	**236.08**	**993.31**

Satyam Computer Services Limited

15. Notes to Accounts

a) Associate Stock Option Plans

i. Scheme established prior to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, (SEBI Guidelines on Stock Options).

In May 1998, the Company established its Associate Stock Option Plan (the "ASOP"). The Company subsequently established an employee welfare trust called the Satyam Associates Trust (the "Trust"), to administer the ASOP and issued warrants to purchase 6,500,000 equity shares of Rs. 2 each in the Company. In turn, the Trust periodically grants to eligible employees warrants to purchase equity shares held by trust for the issuance to the employees. The warrants may vest immediately or may vest over a period ranging from two to three years, depending on the employee's length of service and performance. Upon vesting, employees have 30 days to exercise warrants. The exercise price of the warrants was fixed at Rs. 450 per warrant.

At the 12th Annual General Meeting held on May 28, 1999, shareholders approved a 1:1 Bonus issue to all shareholders as of August 31, 1999. In order to ensure all its employees receive the benefits of the bonus issue in December 1999, the Trust exercised all its warrants to purchase the Company's shares prior to the bonus issue using the proceeds obtained from bank loans. Subsequent to this, each warrant entitles the holder to purchase 10 shares of Rs. 2 each of the Company at a price of Rs. 450 per warrant plus an interest component associated with the loan which the Trust assumed, for conversion of the warrants it held. The interest component is computed based on fixed vesting period and a fixed interest rate. As this scheme is established prior to the SEBI guidelines on the stock options, there is no cost relating to the grant of options under this scheme.

ii. Scheme established after SEBI Guidelines on Stock Options.

Securities Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999, which is applicable for all Stock Option Schemes established after June 19, 1999.

The Company has established a scheme "Associate Stock Option Plan — B" (ASOP — B) for which 83,454,280 equity shares of Rs. 2 each were earmarked. These warrants vest over a period of 2-4 years from the date of the grant. Upon vesting, associates have 5 years to exercise these shares.

Accordingly, options (net of cancellations) for a total number of 19,117,177 equity shares of Rs. 2 each were outstanding as at June 30, 2007 (June 30, 2006 — 40,628,076 , March 31, 2007 — 19,976,210).

Changes in number of options outstanding were as follows:

Options	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
At the beginning of the period / year	19,976,210	45,605,388	45,605,388
Granted	—	—	—
Exercised	(438,390)	(3,552,096)	(17,448,659)
Cancelled	(420,643)	(1,425,216)	(8,180,519)
At the end of the period / year	19,117,177	40,628,076	19,976,210

iii. Associate Stock Option Plan (ADS)

The Company has established a scheme "Associate Stock Option Plan (ADS)" to be administered by the Administrator of the ASOP (ADS), a committee appointed by the Board of Directors of the Company. Under the scheme 5,149,330 ADS are reserved to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the day of grant as decided by the Administrator of the ASOP (ADS). Each ADS represents two equity shares of Rs. 2 each fully paid up. These warrants vest over a period of 1-10 years from the date of the grant. The time available to exercise the warrants upon vesting is as decided by the Administrator of the ASOP (ADS).

Accordingly, options (net of cancellation) for a total number of 1,439,946 ADS (June 30, 2006 — 1,900,496, March 31, 2007 — 1,461,064) representing 2,879,892 equity shares of Rs.2 each were outstanding as at June 30, 2007 (June 30, 2006- 3,800,992, March 31, 2007 - 2,922,128).

Changes in number of options outstanding were as follows:

Options	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
At the beginning of the period / year	1,461,064	1,991,342	1,991,342
Granted	—	20,000	20,000
Exercised	(18,062)	(84,454)	(424,136)
Cancelled	(3,056)	(26,392)	(126,142)
At the end of the period / year	1,439,946	1,900,496	1,461,064

iv. Associate Stock Option Plan — Restricted Stock Units (ASOP — RSUs)

The Company has established a scheme "Associate Stock Option Plan — Restricted Stock Units (ASOP — RSUs)" to be administered by the Administrator of the ASOP — RSUs, a committee appointed by the Board of Directors of the Company. Under the scheme 13,000,000 equity shares are reserved to be issued to eligible associates at a price to be determined by the Administrator which shall not be less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the warrants upon vesting is five years from the date of vesting.

Accordingly, options (net of cancellations) for a total number of 3,318,140 ASOP-RSUs equity shares of Rs. 2 each were outstanding as at June 30, 2007 (June 30, 2006- Nil, March 31, 2007 — 3,293,140).

Options	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
At the beginning of the period / year	3,293,140	—	—
Granted	25,000	—	3,293,140
Exercised	—	—	—
Cancelled	—	—	—
At the end of the period / year	3,318,140	—	3,293,140

v. Associate Stock Option Plan — RSUs (ADS) (ASOP — RSUs (ADS))

The Company has established a scheme "Associate Stock Option Plan — RSUs (ADS)" to be administered by the Administrator of the ASOP — RSUs (ADS), a committee appointed by the Board of Directors of the Company. Under the scheme 13,000,000 equity shares minus the number of shares issued from time to time under the Associate Stock Option Plan — RSUs are reserved to be issued to eligible associates at a price to be determined by the Administrator not less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the warrants upon vesting is five years from the date of vesting.

Accordingly, options (net of cancellation) for a total number of 254,120 ADS (June 30, 2006- Nil, March 31, 2007 — 236,620) representing 508,240 equity shares of Rs. 2 each were outstanding as at June 30, 2007 (June 30, 2006- Nil, March 31, 2007 — 473,240)

Options	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
At the beginning of the period / year	236,620	—	—
Granted	17,500	—	236,620
Exercised	—	—	—
Cancelled	—	—	—
At the end of the period / year	254,120	—	236,620

Pro forma disclosure:

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black Scholes' model, the pro forma amounts of the Company's net profit and earnings per share would have been as follows:

Particulars	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
1. Profit after Taxation			
- As reported (Rs. in crores)	389.14	360.09	1,423.23
- Pro forma (Rs. in crores)	385.45	344.08	1,373.05
2. Earnings per share:			
Basic			
- No. of shares	667,398,284	651,454,264	654,853,959
- EPS as reported (Rs.)	5.83	5.53	21.73
- Pro forma EPS (Rs.)	5.78	5.28	20.97
Diluted			
- No. of shares	684,730,168	675,897,090	669,705,425
- EPS as reported (Rs.)	5.68	5.33	21.25
- Pro forma EPS (Rs.)	5.63	5.09	20.50

The following assumptions were used for calculation of fair value of grants:

	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
Dividend yield (%)	0.78	0.85	0.78
Expected volatility (%)	56.64	56.86	59.01
Risk-free interest rate (%)	7.00	7.00	8.00
Expected term (in years)	1.15	1.14	0.96

(b) Share application money pending allotment

Amount received from associates on exercise of stock options, pending allotment of shares is shown as share application money, pending allotment.

(c) Secured Loans

Vehicles are hypothecated to the Banks as security for the amounts borrowed.

(d) Investments

i) During May 2005, the Company acquired Citisoft Plc ("Citisoft"), a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry, with operating presence in London, Boston and New York.

The Company acquired 75% of the shareholding in Citisoft for an initial cash consideration of Rs. 62.35 crores (inclusive of acquisition costs), a deferred consideration of Rs. 13.63 crores (equivalent GBP 1.75 million), a maximum earn-out consideration amounting to Rs. 18.35 crores (equivalent GBP 2.25 million) based on achievement of targeted revenues and profits and EBT contribution of Rs. 8.00 crores (equivalent GBP 0.9 million).

On June 29, 2006, the Company acquired the remaining 25% shareholding for a consideration of Rs. 27.47 crores (equivalent GBP 3.26 million) and a maximum earn-out consideration of Rs. 28.87 crores (equivalent GBP 3.54 million) based on achievement of targeted revenues and profits and a maximum EBT contribution of Rs. 14.68 crores (equivalent GBP 1.80 million) contingent on Citisoft achieving certain revenue and profit performance targets. The Company paid Rs. 0.65 crores (Equivalent GBP 0.08 million) towards EBT contribution in May 2007.

On June 29, 2007, the Company entered into an amendment agreement with the selling shareholders providing for an early exit of the selling shareholders. As per the amendment agreement, an exit consideration of Rs. 14.25 crores (Equivalent GBP 1.74 million) and payment towards EBT of Rs. 0.65 crores (Equivalent GBP 0.08 million) is payable by the Company in July 2007 upon selling shareholders agreeing for removal of provisions of deferred consideration, maximum earn-out consideration and a portion of payments towards EBT. The exit consideration and EBT contribution payable as per the amended agreement has been recognized as cost of investment by the Company.

ii) During October 2005, the Company acquired Knowledge Dynamics Pte Ltd (KDPL), a leading Data Warehousing and Business Intelligence Solutions provider, with operating presence in Singapore, Malaysia, USA and India.

The Company acquired 100% of the shareholding in KDPL for a consideration of Rs. 14.64 crores (inclusive of acquisition costs). A maximum earn out consideration of Rs. 4.87 crores (Equivalent SGD 1.84 million) is payable on April 30, 2008, based on achievement of targeted revenues and profits.

(e) Land

The Company acquired 14.93 acres of land at Hyderabad from Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for an aggregate purchase consideration of Rs.7.21 crores. Non-compliance with certain terms and conditions would attract withdrawal of rebate, which may increase the cost of land.

(f) Balances with Non-Scheduled Banks

	Balances			Maximum Balances		
	As at June 30,		As at March 31,	Quarter ended June 30,		Year ended March 31,
Name of the Bank	2007	2006	2007	2007	2006	2007
Balances with Non-Scheduled Banks On Current Accounts						
Banco Do Brasil, Brasil	0.69	—	0.60	2.34	—	1.59
Banque Nationale De Paris, Brussels	2.83	0.44	1.80	2.90	1.64	5.33
Banque Nationale De Paris, France	0.82	1.49	1.88	1.86	2.66	4.55
Banque Nationale De Paris, Hague	4.19	3.40	2.84	6.91	5.46	8.04
Banque Nationale De Paris, Ireland	0.73	0.78	1.66	1.68	1.25	1.96
Banque Nationale De Paris, Italy	0.28	2.93	0.93	0.93	2.93	2.95
Banque Nationale De Paris, Saarbruecken	4.66	1.45	2.40	9.76	1.61	9.78
Banque Nationale De Paris, Spain	0.39	0.79	0.60	1.07	0.94	1.58
Banque Nationale De Paris, Switzerland	1.94	—	0.37	5.79	—	8.98
Banque Nationale De Paris, Saudi Arabia	1.31	—	0.19	2.14	—	1.13
Banque Nationale De Paris, Taipei	2.61	2.45	2.45	2.71	2.45	2.64
Citibank NA, Bangkok	16.34	10.71	14.19	16.95	12.43	15.64
Citibank NA, Brazil	0.29	—	—	0.32	—	—
Citibank NA, Denmark	1.86	0.01	0.58	1.86	0.01	4.68
Citibank NA, Dubai	1.13	0.73	0.08	2.76	1.54	2.51
Citibank NA, Hong Kong	0.37	0.25	1.56	1.59	0.73	1.56
Citibank NA, Hungary	0.48	0.09	0.18	0.67	0.50	0.55
Citibank NA, Kuala Lumpur	1.04	3.66	0.80	2.57	4.47	8.44
Citibank NA, London	1.40	0.53	2.25	2.25	1.62	2.27
Citibank NA, New York	6.96	6.87	8.88	27.31	20.00	33.03
Citibank NA, New Zealand	1.38	1.20	1.37	1.88	2.23	2.94
Citibank NA, Seoul	10.73	8.48	10.39	11.03	8.89	10.70
Citibank NA, Singapore	2.55	3.81	3.81	7.36	7.05	8.64
Citibank NA, Johannesburg	5.78	1.41	2.21	7.41	2.05	3.36
Citibank NA, Sydney	18.32	7.84	18.66	39.99	22.05	25.61
Citibank International Plc, Stockholm	0.55	—	0.45	0.82	—	0.60
Citibank NA, Toronto	2.38	2.85	2.47	9.33	5.54	9.23
Dresdner Bank, Saarbruecken	2.87	6.10	2.82	6.94	14.73	14.73
Hong Kong and Shanghai Banking Corporation, London	13.94	19.43	21.08	34.48	29.61	50.53
Hong Kong and Shanghai Banking Corporation, Shanghai	0.02	0.02	0.02	0.02	0.02	0.02
Hong Kong and Shanghai Banking Corporation, Tokyo	4.86	6.98	3.83	28.62	15.80	14.55
Hong Kong and Shanghai Banking Corporation, Mauritius	0.09	—	—	0.10	—	—
Koonmin Bank, Seoul	—	0.05	—	0.55	0.05	0.12
KSB Bank N V, Brussels	2.62	4.59	0.95	4.22	9.63	9.63
Mitsui Sumitomo Bank, Tokyo	0.21	0.29	0.58	1.93	2.18	2.18
UBS Bank, Switzerland	1.97	3.78	7.67	7.67	7.70	8.97
Unicredit Banca, Italy	0.40	1.00	0.57	0.88	3.95	3.95

Name of the Bank	Balances			Maximum Balances		
	As at June 30,		As at March 31,	Quarter ended June 30,		Year ended March 31,
	2007	2006	2007	2007	2006	2007
United Bank, Vienna	6.83	2.67	39.55	66.70	58.11	58.18
Wachovia Bank, New Jersey	5.61	4.48	10.94	17.87	20.59	73.82
Woori Bank, Korea	—	—	—	0.16	0.26	0.26
	131.43	**111.56**	**171.61**			
On Deposit Accounts						
Citibank NA, Hungary	**0.80**	**0.74**	**0.84**	0.80	0.74	0.84

(g) Related Party Transactions

The Company had transactions with the following related parties:

Subsidiaries: Citisoft Plc, Citisoft Inc (Subsidiary of Citisoft Plc)., Knowledge Dynamics Pte Ltd, Knowledge Dynamics Private Limited, Knowledge Dynamics USA Inc., Info On Demand SDN BHD (Subsidiaries of Knowledge Dynamics Pte Ltd), Nipuna Services Limited, Satyam Computer Services (Shanghai) Co. Ltd and Satyam Technologies Inc.

Joint Ventures (JVs): Satyam Venture Engineering Services Private Limited and CA Satyam ASP Private Limited.

Others: Satyam Foundation Trust (Enterprises where trustees are spouses of certain Whole-time Directors and Key Management Personnel) and Satyam Associate Trust (Enterprises where some of trustees are Key Management Personnel)

Directors and Key Management Personnel: B.Ramalinga Raju, B.Rama Raju, Ram Mynampati (Whole-time Directors), Prof. Krishna G Palepu (Director), Abraham Joseph, A.S.Murthy, Mohan Eddy (Partly employed),G.B.Prabhat (partly employed),D. Subramaniam, V. Srinivas, G. Jayaraman, Shailesh Shah, Vijay Prasad Boddupalli, Manish Sukhlal Mehta, Dr. Keshab Panda, Virender Aggarwal, T R Anand, Ravi Shankar Bommakanti, Murali V and Hari T.

Summary of the transactions and balances with the above related parties are as follows**:**

Transactions:

Rs. in crores

	Quarter ended June 30, 2007	Quarter ended June 30, 2006	Year ended March 31,2007
Sales:			
Subsidiaries	0.66	1.32	6.24
Outsourcing Services:			
Subsidiaries	19.75	10.53	55.61
JVs	9.42	10.32	40.01
	29.17	20.85	95.62
Other Services:			
Subsidiaries	0.89	0.33	2.19
JVs	0.49	0.51	2.05
	1.38	0.84	4.24
Interest Income:			
JVs	—	0.01	0.02
Purchase of Fixed Assets :			
Subsidiaries	—	0.02	0.02
JVs	—	—	0.89
	—	0.02	0.91
Investments in:			
Subsidiaries	3.28	0.69	9.83
Advances to:			
Subsidiaries	2.96	12.03	57.36
Others	—	—	5.00
	2.96	12.03	62.36
Contributions to:			
Others	0.98	0.87	3.48

Balances :

Rs. in crores

	As at June 30, 2007	2006	As at March 31, 2007
Accounts Receivable:			
Subsidiaries	5.20*	4.61*	4.15*
JVs	0.49	0.20	0.23
	5.69	4.81	4.38
Payables:			
Subsidiaries	31.89	14.28	31.53
JVs	11.68	10.67	11.48
	43.57	24.95	43.01
Investments:			
Subsidiaries	195.73*	173.19*	190.44*
JVs	10.71	10.71	10.71
	206.44	183.90	201.15
Advances and share application money:			
Subsidiaries	34.84*	9.52*	44.96*
JVs	—	0.52	—
Others	5.72	0.71	5.72
	40.56	10.75	50.68

* Net of provisions made

Transactions with Directors and Key Management Personnel

Rs. in crores

	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
Remuneration to Whole-time Directors	0.57	0.15	2.27
Remuneration to Key Management Personnel	3.72	3.86	19.47
Professional charges to a Director	0.20	—	0.87
Advances to Key Management Personnel	—	—	1.28

Balances due to / from Directors and Key Management Personnel

Rs. in crores

	As at June 30, 2007	2006	As at March 31, 2007
Remuneration Payable to Whole-time Directors	0.42	0.22	0.45
Remuneration Payable to Key Management Personnel	0.80	0.16	0.80
Advances due from Key Management Personnel	0.08	0.33	0.09
Professional charges payable to a Director	0.20	—	0.87

Options granted and outstanding to the Key Management Personnel 2,058,395 {includes 112,163 options granted under ASOP — ADS and 15,000 options granted under ASOP — RSUs (ADS)} (June 30, 2006 — 2,377,257 {includes 614,870 options granted under ASOP — ADS}, March 31, 2007 — 1,948,632 {includes 112,163 options granted under ASOP — ADS and 15,000 options granted under ASOP — RSUs (ADS)}).

Options granted and outstanding to a Whole-time Director 1,050,720 {includes 1,025,720 options granted under ASOP — ADS and 25,000 options granted under ASOP — RSUs (ADS)} (June 30, 2006 - Nil, March 31, 2007 1,050,720 {includes 1,025,720 options granted under ASOP — ADS and 25,000 options granted under ASOP — RSUs (ADS)}.

Options granted and outstanding to Non-executive Directors of the Company and its subsidiary 60,000 {includes 35,000 options granted under ASOP — RSUs (ADS)} (June 30, 2006 — Nil, March 31, 2007 — Nil).

(h) Obligation on long term non-cancelable operating leases

The Company has entered into operating lease agreements for its development centers at offshore, onsite and offsites ranging for a period of 3 to 10 years. The lease rentals charged during the period / year and maximum obligations on long-term non-cancelable operating leases payable as per the rentals stated in respective agreements are as follows:

Rs. in crores

	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
Lease rentals (Refer Schedule 14)	24.58	18.87	88.07

	As at June 30, 2007	2006	As at March 31, 2007
Obligations on non-cancelable leases:			
Not later than one year	20.83	15.67	18.62
Later than one year and not later than five years	12.02	10.93	14.87
Later than five years	1.21	1.85	1.43
Total	**34.06**	**28.45**	**34.92**

(i) Earnings per Share

At the annual general meeting held on August 21, 2006, the shareholders approved a 1:1 bonus issue for all shareholders including the ADS holders i.e. one additional equity share for every one existing share held by the members by utilizing a part of the general reserves. The record date for the bonus issue was October 10, 2006 and shares were allotted on October 11, 2006. All basic and diluted shares used in determining earnings per share are after considering the effect of bonus issue.

Calculation of EPS (Basic and Diluted):

S.No. Particulars	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
Basic			
1. Opening no. of shares	667,196,009	648,899,078	648,899,078
2. Total Shares outstanding	667,398,284	651,454,264	654,853,959
3. Profit after Taxation (Rs. in crores)	389.14	360.09	1,423.23
4. EPS (Rs.)	5.83	5.53	21.73
Diluted			
5. Stock options outstanding	17,331,884	24,442,826	14,851,466
6. Total shares outstanding (including dilution)	684,730,168	675,897,090	669,705,425
7. EPS (Rs.)	5.68	5.33	21.25

(j) Commitments and Contingencies

i) Bank Guarantees outstanding Rs 95.72 crores (June 30, 2006 — Rs. 57.88 crores, March 31, 2007 — Rs. 98.56 crores).

ii) Contracts pending execution on capital accounts, net of advances, Rs. 195.61 crores (June 30, 2006 — Rs. 146.81 crores, March 31, 2007 — Rs. 158.07 crores).

iii) Forward & Option Contracts outstanding Rs. 3,042.72 crores (Equivalent US$ 743.56 millions) {June 30, 2006 — Rs. 913.86 crores (Equivalent US$ 198.00 millions), March 31, 2007 — Rs. 1,978.98 crores (Equivalent US$ 452.63 millions)}.Gain/(Loss) on foreign exchange forward contracts which are included under the head gain/(loss) on exchange fluctuation in the profit and loss account amounted to Rs. 89.88 crores { June 30, 2006 -(Rs. 22.00 crores), March 31, 2007 — Rs. 26.64 crores}. There are no unhedged forex exposures.

iv) Claims against the Company not acknowledged as debts

- Income tax and Sales tax matters under dispute — Rs. 24.07 crores (June 30, 2006 — Rs. 20.38 crores, March 31, 2007 — Rs. 22.03 crores).

v) Contingent consideration payable in respect of acquired subsidiary companies Rs. 4.87 crores (June 30, 2006 — Rs. 82.45 crores, March 31, 2007 — Rs. 75.56 crores).

vi) Nipuna Services Limited (a majority owned subsidiary-Nipuna) issued 45,669,999 and 45,340,000 0.05% Convertible Redeemable Cumulative Preference Shares of par value of Rs.10 each fully paid-up in October 2003 and June 2004 respectively to Olympus BPO Holdings Ltd. and Intel Capital Corporation (“Preference shareholders”) for an aggregate consideration of Rs. 91.01 crores (equivalent to US$ 20 millions). These Preference shares are to be mandatorily converted into such number of equity shares latest by June 2007 or redeemed based on certain provisions in the agreement entered with the preference shareholders relating to revenues and profits earned up to March 31, 2006. The said preference shares, if not converted or early converted at the option of the preference shareholders based on certain triggering events, are redeemable on maturity in June 2007 at a redemption premium, which could range in between 7.5% to 13.5% p.a.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement (“SPRA Agreement”) was entered into between the Company, the preference shareholders and Nipuna. Out of the total preference shares, 50% of the preference shares of Rs. 45.51 crores (Equivalent US$ 10 million) would be redeemed for Rs. 60.10 crores (Equivalent US$ 13.6 million) at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. The preference shareholders gave Nipuna a Notice of Conversion of Preference Shares and in January 2007, 45,505,000 preference shares have been converted into 6,422,267 equity shares of Nipuna.

Further as per the SPRA Agreement, the Company agrees to purchase and the preference shareholders agree to sell these equity shares at an aggregate purchase price based on a formula. If the share purchase closing occurs on or before the share purchase target date (May 21, 2007) then the purchase price would range from a minimum of Rs. 152.57 crores (Equivalent US$ 35 million) to maximum of Rs. 196.16 crores (Equivalent US$ 45 million), however if an acceleration event occurs the purchase price would equal Rs. 196.16 crores (Equivalent US$45 million). If the share purchase closing occurs after the share purchase target date then the purchase price shall not be less than Rs. 152.57 crores (Equivalent US$ 35 million) however if an acceleration event occurs the purchase price shall not be less than Rs. 196.16 crores (Equivalent US$45 million). This is subject to fulfillment of terms and conditions specified in the agreement and obtaining necessary approvals from appropriate authorities. As of March 31, 2007, an acceleration event has occurred.

As of June 30, 2007, the closure of share purchase has not taken place.

The Company has guaranteed payment of all sums payable by Nipuna to the preference shareholders on redemption of the said preference shares.

vii) The Company has given a corporate guarantee on behalf of a subsidiary for the loan obtained amounting to maximum of Rs. 81.48 crores (June 30, 2006 — Rs. 92.18 crores, March 31, 2007 — Rs. 87.18 crores) (Equivalent US$ 20 million).

viii) The Company had filed a request for arbitration with the London Court of International Arbitration (“LCIA”) naming Venture Global Engineering LLC, USA (“VGE”) as respondent. The Arbitration concerned a dispute between the Company and VGE in connection with their joint venture Satyam Venture Engineering Services Private Limited (“SVES”).

The LCIA Arbitrator issued its Final Award on April 3, 2006 in favour of the Company. The Company has filed a petition to recognize and enforce the Award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois. The Management believes that this will not have any adverse effect upon the Company’s results of operations, financial condition and cash flows.

(k) The Gratuity Plan

The following table sets forth the status of the Gratuity Plan of the Company, and the amounts recognized in the balance sheet and profit and loss account.

Rs. in crores

	Quarter ended June 30, 2007	Quarter ended June 30, 2006	Year ended March 31, 2007
Projected benefit obligation at the beginning of the period	47.34	35.08	35.08
Current service cost	2.19	2.08	8.77
Interest cost	0.86	0.63	2.30
Actuarial loss/(gain)	(0.06)	(0.58)	6.44
Benefits paid	(1.18)	(1.53)	(5.25)
Projected benefit obligation at the end of the period	**49.15**	**35.68**	**47.34**
Amounts recognised in the balance sheet			
Projected benefit obligation at the end of the period	49.15	35.68	47.34
Fair value of plan assets at end of the period	—	—	—
Funded status of the plans — (asset)/ liability	**49.15**	**35.68**	**47.34**
Liability recognised in the balance sheet	**49.15**	**35.68**	**47.34**
Gratuity cost for the period			
Current service cost	2.19	2.08	8.77
Interest cost	0.86	0.63	2.30
Net actuarial (gain)/loss recognised in the period	(0.06)	(0.58)	6.43
Net gratuity cost	**2.99**	**2.13**	**17.50**
Assumptions			
Discount rate	7.95%	7.00%	8.00%
Long-term rate of compensation increase	7.00%	7.00%	7.00%

(l) Provision for Leave encashment

Effective April 1, 2006, the Company has adopted the revised accounting standard (AS- 15) Employee Benefits. Pursuant to the adoption, the transitional obligations of the Company amounted to Rs. 26.33 crores. As required by the standard, an amount of Rs. 17.47 crores (net of related deferred tax of Rs. 8.86 crores) has been adjusted against general reserves.

(m) Other Information

(i) The Company is engaged in the development of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI of the Companies Act, 1956.

(ii) Auditor's remuneration:

Rs. in crores

	Quarter ended June 30, 2007	Quarter ended June 30, 2006	Year ended March 31, 2007
Statutory audit	0.65	0.25	2.40
Tax audit	—	—	0.08
Other services	0.01	0.01	1.18
Out of pocket expenses	0.03	0.01	0.01

(iii) Earnings in foreign exchange (on receipt basis):

			Rs. in crores
	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
Income from software development services	1,454.53	1,138.51	4,728.55

(iv) C.I.F. value of imports:

			Rs. in crores
	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
Capital goods	20.69	9.03	90.80

(v) Expenditure in foreign currency (on payment basis):

			Rs. in crores
	Quarter ended June 30, 2007	2006	Year ended March 31, 2007
Travelling expenses	34.76	26.95	124.19
Expenditure incurred at overseas branches	1,099.34	607.46	2,910.64
Others	22.70	15.34	60.29

(n) The financial statements are represented in Rs. crores. Those items which were not represented in the financial statements due to rounding off to the nearest Rs. crores are given below:

				Rs.in lakhs
		As at June 30,		As at
Schedule No.	Description	2007	2006	March 31, 2007
5 (ii)	National Saving Certificates, VIII Series (Lodged as security with government authorities)	0.06	0.06	0.06

(o) Reclassification:

Figures for the corresponding period and previous year have been regrouped, recast and rearranged to conform to those of the current period wherever necessary.

Satyam Computer Services Limited
Cash Flow Statement

		for the Quarter Ended 30.06.2007	for the Quarter Ended 30.06.2006	Rs. in Crores for the Year Ended 31.03.2007
A.	**Cash Flows from Operating Activities**			
	Net Profit before Tax	397.82	367.77	1,423.46
	Financial expenses	0.51	1.07	7.61
	Depreciation / Amortisation	32.55	32.30	129.89
	Loss on sale of Fixed Assets	0.36	0.16	0.79
	Exchange differences on translation of foreign currency cash and cash equivalents	36.85	(45.13)	(9.23)
	Operating profit before changes in Working Capital	**468.09**	**356.17**	**1,552.52**
	(Increase)/Decrease in Sundry Debtors	(114.86)	(64.03)	(527.04)
	(Increase)/Decrease in Loans and Advances	(29.95)	(17.95)	(78.51)
	Increase/(Decrease) in Current Liabilities and Provisions	(61.69)	77.47	232.39
	Cash generated from operations	**261.59**	**351.66**	**1,179.36**
	Income Taxes Paid	(41.58)	(59.34)	(149.53)
	Net Cash from Operating Activities	**220.01**	**292.32**	**1,029.83**
B.	**Cash Flows used in Investing Activities**			
	Purchase of Fixed Assets	(88.61)	(64.21)	(345.82)
	Purchase of Long term Investments	(20.67)	(18.77)	(32.76)
	Proceeds from sale of Fixed Assets	0.19	0.34	1.36
	Proceeds from maturity of Long Term Deposits	—	—	1,795.50
	Investment in Long Term Deposits	—	—	(3,308.41)
	Interest income received	15.70	7.61	211.55
	Net Cash used in Investing Activities	**(93.39)**	**(75.03)**	**(1,678.58)**

Rs. in Crores

		for the Quarter Ended 30.06.2007	for the Quarter Ended 30.06.2006	for the Year Ended 31.03.2007
C.	**Cash Flows from Financing Activities**			
	Proceeds from issue of share capital including application money pending allotment	4.49	56.56	301.59
	Proceeds from Secured Loans	6.39	2.45	10.24
	Repayment of Secured Loans	(2.27)	(2.35)	(9.01)
	Financial expenses paid	(0.51)	(1.07)	(7.61)
	Payment of Dividend	—	—	(261.11)
	Net Cash from Financing Activities	**8.10**	**55.59**	**34.10**
D.	**Exchange differences on translation of foreign currency cash and cash equivalents**	**(36.85)**	**45.13**	**9.23**
	Net (Decrease)/Increase in Cash and Cash equivalents during the period/year	97.87	318.01	(605.42)
	Cash and Cash equivalents at the beginning of the period/year	651.41	1,256.83	1,256.83
	Cash and Cash equivalents at the end of the period/year	**749.28**	**1,574.84**	**651.41**
	Supplementary Information			
	Cash and Bank Balances	4,057.69	3,370.34	3,959.82
	Less: Investment in Long Term Deposits with Scheduled Banks	3,308.41	1,795.50	3,308.41
	Balance considered for Cash Flow Statement	**749.28**	**1,574.84**	**651.41**
	The balance of Cash and Cash equivalents include amounts set aside for payment of dividends	6.26	4.96	6.33

Figures for the corresponding period /year have been regrouped, recast and rearranged to conform to those of the current period wherever necessary.

This is the Cash Flow Statement referred to in our report of even date.

for and on behalf of the Board of Directors

Srinivas Talluri
Partner
for and on behalf of
Price Waterhouse
Chartered Accountants

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director & Sr. Vice President - Finance

G. Jayaraman
Sr. Vice President (Corp. Governance) &
Company Secretary

Place : Secunderabad
Date : July 20, 2007

Place : Secunderabad
Date : July 20, 2007

<DOCUMENT>
<TYPE> EX-99.5
<FILENAME> u93075exv99w5.htm
<DESCRIPTION> EX-99.5 Consolidated financial statements for the quarter ended June 30, 2007 ur
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Exhibit 99.5

Satyam Computer Services Limited

Description of Business

Satyam Computer Services Limited and its consolidated subsidiaries, Joint Ventures and Associates (hereinafter referred to as "*Satyam*") are engaged in providing information technology services, developing software products and business process outsourcing.

Satyam Computer Services Limited (hereinafter referred to as "*Satyam Computer Services*") is an information technology ("IT") services provider that uses a global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. Satyam Computer Services was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. The range of services offered by it, either on a "time and material" basis or "fixed price", includes consulting, systems design, software development, system integration and application maintenance. Satyam Computer Services offers a comprehensive range of IT services, including software development, packaged software integration, system maintenance and engineering design services. Satyam Computer Services has a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Nipuna Services Limited ("Nipuna") a majority owned subsidiary of Satyam Computer Services is engaged in providing Business Process Outsourcing services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

Statement on Significant Accounting Policies

a) Basis of Consolidation

The Consolidated Financial Statements include the accounts of Satyam Computer Services and its subsidiary companies. Subsidiary companies are those in which Satyam Computer Services, directly or indirectly, have an interest of more than one half of the voting power or otherwise have power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal.

All inter company transactions, balances and unrealized surpluses and deficits on transactions between Group companies are eliminated. Consistency in adoption of accounting polices among all group companies is ensured to the extent practicable. Separate disclosure is made of minority interest.

Investments in Business entities over which the company exercises joint control are accounted for using the proportionate consolidation except where the control is considered to be temporary. Investment in associates are accounted for using the equity method.

On occasion, a subsidiary or associated company accounted for by the equity method ("offering company") may issue its shares to third parties as either a public offering or private placement at per share amounts in excess of or less than Satyam's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the dilution of interest are recorded as Capital Reserve/Goodwill. Gain or losses arising on the direct sales by Satyam of its investment in its subsidiaries or associated companies to third parties are transferred to Profit and Loss Account. Such gains or losses are the difference between the sale proceeds and net carrying value of investments.

Minority Interest in subsidiaries represents the minority shareholders proportionate share of net assets and the net income of Satyam's majority owned subsidiaries.

b) Use of Estimates

The preparation of the financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period / year. Actual results could differ from those estimates.

Satyam Computer Services Limited

c) Revenue Recognition

i) IT Services

Revenue from professional services consist primarily of revenue earned from services performed on a “time and material” basis. The related revenue is recognized as and when the services are performed. Satyam Computer Services also performs time bound fixed-price engagements, under which revenue is recognized using the percentage of completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period / year in which the change becomes known. Provisions for estimated losses on such engagements are made during the period / year in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as advance from customers/unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

Unearned revenue is calculated on the basis of the unutilized period of time at the Balance Sheet and represents revenue which is expected to be earned in future periods in respect of internet, e-mail services, electronic data interchange and web hosting services.

ii) Business Process Outsourcing

Revenue from per engagement services is recognized based on the number of engagements performed. Revenues from per time period services are recognized based on the time incurred in providing services at contracted rates. Revenue from per incident services is based on the performance of specific criteria at contracted rates.

d) Foreign Currency Transactions/Translations

Transactions in foreign currency are recorded at exchange rate prevailing on the date of transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date and resultant gain or loss is recognized in the profit and loss account.

Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

The operations of foreign branches of the company are of integral in nature and the financial statements of these branches are translated using the same principles and procedures as those of head office.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and/or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortized as expense or income over the life of the contract.

Gains/losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period / year.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period / year), is recognized in the profit and loss account for the period / year.

Foreign subsidiaries are non-integral in nature. Assets and Liabilities of such subsidiaries are translated at the period / year end exchange rate, income and expenditure are translated at the average rate during the period. The resultant translation adjustment is reflected as a separate component of shareholders’ funds as a ‘Currency Translation Reserve’.

e) Fixed Assets

Fixed assets are stated at actual cost less accumulated depreciation. The actual cost capitalized includes material cost, freight, installation cost, duties and taxes, finance charges and other incidental expenses incurred during the construction/installation stage.

Depreciation on fixed assets is computed on the straight line method over their estimated useful lives at the rates which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets acquired for less than Rs. 5,000 are entirely depreciated in the period / year of acquisition.

The cost of and the accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Satyam Computer Services Limited

Costs of application software for internal use are generally charged to revenue as incurred due to its estimated useful lives being relatively short, usually less than one year.

The estimated useful lives are as follows:

Buildings	28 years
Computers	2 years
Plant and Machinery (Other than Computers)	5 years
Software – used in Development for Projects	3 years
Office Equipment	5 years
Furniture, Fixtures and Interiors	5 years
Vehicles	5 years

Depreciation on assets acquired under a finance lease is provided using the straight-line method over the shorter of the lease term or the useful life of the asset.

Capital work in Progress:

Assets under installation or under construction as at the Balance sheet date are shown as capital work in progress. Advances paid towards acquisition of assets are also included under capital work in progress.

f) Goodwill and Other Intangible Assets

Goodwill represents the difference between the purchase price and the book value of assets and liabilities acquired. Goodwill is amortized over the useful life of the asset. The goodwill is reviewed for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. If impairment is indicated, the asset is written down to its fair value.

g) Investments

Investments are classified into current investments and long-term investments. Current investments are carried at the lower of cost and market value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the profit and loss account. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

h) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of hardware and software purchased for the purpose of resale is determined using the first-in-first-out method.

i) Employee Benefits

Contributions to defined schemes such as Provident Fund, Employee State Insurance Scheme and Superannuation are charged as incurred on accrual basis. Satyam Computer Services also provides for gratuity and leave encashment in accordance with the requirements of revised Accounting Standard – 15 “Employee Benefits” based on actuarial valuation carried out as at the balance sheet date.

j) Taxes on Income

Tax expense for a year comprises of current tax and deferred tax. Current taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the period / year of change. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards.

k) Earnings per Share

The earnings considered in ascertaining Satyam’s Earnings Per Share (EPS) comprises the net profit after tax (and includes the post tax effect of any extra ordinary items). The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period / year. The number of shares used in computing Diluted EPS comprises of weighted average shares considered for deriving Basic EPS, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as at the beginning of the period / year, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares).

The number of shares and potentially dilutive shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

l) Associate Stock Option Scheme

Stock options granted to the employees under the stock option schemes established after June 19, 1999 are evaluated as per the accounting treatment prescribed by Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999 issued by Securities and Exchange Board of India. Accordingly the excess of market value of the stock options as on the date of grant over the exercise price of the options is recognized as deferred employee compensation and is charged to profit and loss account on graded vesting basis over the vesting period of the options. The employee stock option outstanding is shown under Reserves and Surplus.

m) Research and Development

Revenue expenditure incurred on research and development is charged to revenue in the period / year in which it is incurred. Assets used for research and development activities are included in fixed assets.

n) Miscellaneous Expenditure

Miscellaneous expenditure is charged to profit and loss account in the period / year in which it is incurred irrespective of its enduring benefit available in future.

Satyam Computer Services Limited
Consolidated Balance Sheet

Rs. in crores

	Schedule Reference	As at 30.06.2007 (Unaudited)	As at 30.06.2006 (Unaudited)	As at 31.03.2007 (Audited)
I. Sources of Funds :				
1. Shareholders' Funds				
(a) Share Capital	1	179.03	156.27	178.94
(b) Share application money, pending allotment		4.52	0.98	7.85
(c) Reserves and Surplus	2	5,974.07	4,552.34	5,565.81
		6,157.62	**4,709.59**	**5,752.60**
2. Loan Funds				
Secured Loans	3	178.50	118.63	147.88
		6,336.12	**4,828.22**	**5,900.48**
II. Application of Funds :				
1. Fixed Assets	4			
(a) Gross Block		1,604.64	1,369.72	1,505.44
(b) Less: Depreciation		1,021.54	875.05	984.79
(c) Net Block		583.10	494.67	520.65
(d) Capital Work in Progress		296.26	122.86	301.69
		879.36	**617.53**	**822.34**
2. Investments	5	—	—	—
3. Deferred Tax Assets (net)	6	41.34	25.35	43.67
4. Current Assets, Loans and Advances				
(a) Inventories	7	0.04	0.18	0.02
(b) Sundry Debtors	8	1,857.73	1,248.21	1,743.17
(c) Cash and Bank Balances	9	4,092.79	3,427.11	3,991.42
(d) Loans and Advances	10	280.88	199.83	229.61
(e) Other Current Assets — Interest Accrued on Fixed Deposits		116.56	131.91	64.91
		6,348.00	5,007.24	6,029.13
Less: Current Liabilities and Provisions				
(a) Liabilities	11	497.53	494.61	574.53
(b) Provisions	12	435.05	327.29	420.13
		932.58	821.90	994.66
Net Current Assets		**5,415.42**	**4,185.34**	**5,034.47**
		6,336.12	**4,828.22**	**5,900.48**
Notes to Accounts	18			

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Consolidated Balance Sheet.

for and on behalf of the Board of Directors

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director
& Sr. Vice President - Finance

G. Jayaraman
Sr. Vice President (Corp. Governance)
& Company Secretary

Place : Secunderabad
Date : July 20, 2007

Satyam Computer Services Limited
Consolidated Profit and Loss Account

Rs. in crores

	Schedule Reference	for the Quarter ended 30.06.2007 (Unaudited)	for the Quarter ended 30.06.2006 (Unaudited)	for the Year ended 31.03.2007 (Audited)
Income				
Services				
- Exports		1,776.94	1,376.66	6,188.12
- Domestic		53.25	66.27	296.96
Other Income	13	63.20	74.48	183.28
		1,893.39	**1,517.41**	**6,668.36**
Expenditure				
Personnel Expenses	14	1,106.18	831.61	3,857.93
Cost of Software and Hardware sold	15	0.25	0.68	2.27
Operating and Administration Expenses	16	313.47	255.63	1,087.17
Financial Expenses	17	3.32	2.55	15.92
Depreciation / Amortisation		38.69	36.17	148.44
		1,461.91	**1,126.64**	**5,111.73**
Profit Before Taxation		**431.48**	**390.77**	**1,556.63**
Provision for Taxation - Current		47.43	45.84	169.38
-Fringe benefit		3.42	2.85	12.89
-Deferred		2.31	(11.92)	(30.26)
Profit After Taxation and Before share of loss in associate company and Minority Interest		**378.32**	**354.00**	**1,404.62**
Share of loss in associate company		—	—	—
Minority Interest		—	0.12	0.12
Profit After Taxation and share of loss in associate company and Minority Interest		**378.32**	**354.12**	**1,404.74**
Add: Balance brought forward		3,001.50	2,008.48	2,008.48
Less: Residual dividend and additional dividend tax		—	—	(0.56)
Profit Available for Appropriation		**3,379.82**	**2,362.60**	**3,413.78**
Appropriations :				
Interim Dividend (2007 - Rs. 1.00 per Equity Share)		—	—	65.61
Final Dividend (2007 - Rs. 2.50 per Equity Share)		—	—	166.80
Tax on dividends		—	—	37.55
Transfer to General Reserve		—	—	142.32
Balance carried to Balance Sheet		**3,379.82**	**2,362.60**	**3,001.50**
Earnings Per Share (Rs. per equity share of Rs. 2 each)				
Basic		5.67	5.44	21.45
Diluted		5.53	5.24	20.98

Rs. in crores

	Schedule Reference	for the Quarter ended 30.06.2007 (Unaudited)	for the Quarter ended 30.06.2006 (Unaudited)	for the Year ended 31.03.2007 (Audited)
No. of Shares used in computing Earnings Per Share				
Basic		667,398,284	651,454,264	654,853,959
Diluted		684,730,168	675,897,090	669,705,425
Notes to Accounts	18			

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Consolidated Profit and Loss Account.

for and on behalf of the Board of Directors

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director
& Sr. Vice President - Finance

G. Jayaraman
Sr. Vice President (Corp. Governance)
& Company Secretary

Place : Secunderabad
Date : July 20, 2007

Satyam Computer Services Limited
Schedules forming part of the Consolidated Balance Sheet

	As at 30.06.2007 (Unaudited)	As at 30.06.2006 (Unaudited)	As at 31.03.2007 (Audited)
			Rs. in crores
1. Share Capital			
Authorised :			
800,000,000 (June 30, 2006 — 375,000,000; March 31, 2007 — 800,000,000) Equity Shares of Rs. 2 each	160.00	75.00	160.00
100,000,000 0.05% Convertible Redeemable Cumulative Preference Shares of Rs. 10 each	100.00	100.00	100.00
Issued and Subscribed :			
667,670,523 (June 30, 2006 — 652,620,082; March 31, 2007 — 667,196,009) Equity Shares of Rs.2 each fully paid-up	133.53	65.26	133.44
45,504,999 (June 30, 2006 — 91,009,999; March 31, 2007 — 45,504,999) 0.05% Convertible Redeemable Cumulative Preference Shares of Rs. 10 each fully paid-up	45.50	91.01	45.50
(Refer note (d) of Schedule 18)	**179.03**	**156.27**	**178.94**
Out of the above:			
4,000,000 Equity Shares of Rs. 2 each were allotted as fully paid-up for a consideration other than cash pursuant to the Scheme of Amalgamation with Satyam Enterprise Solutions Limited			
468,289,738 (June 30, 2006 — 140,595,000; March 31, 2007 — 468,289,738) Equity Shares of Rs. 2 each were allotted as fully paid-up by way of Bonus Shares by capitalising free reserves of Satyam Computer Services			
130,245,596 (June 30, 2006 — 129,530,108; March 31, 2007 — 130,209,472) Equity Shares of Rs. 2 each fully paid-up represent 65,122,798 (June 30, 2006 — 64,765,054; March 31, 2007 - 65,104,736) American Depository Shares			
38,590,523 (June 30, 2006 — 23,540,082; March 31, 2007 — 38,116,009) Equity Shares of Rs. 2 each fully paid-up were alloted to associates of Satyam Computer Services pursuant to the Associate Stock Option Plan — B (ASOP-B) and Associate Stock Option Plan (ADS) (ASOP-ADS)			
2. Reserves and Surplus			
Share Premium Account			
As at April 1	1,321.18	1,028.63	1,028.63
Add: Received on account of issue of ADS / ASOP	7.74	57.02	292.55
	1,328.92	**1,085.65**	**1,321.18**

Rs. in crores

	As at 30.06.2007 (Unaudited)	As at 30.06.2006 (Unaudited)	As at 31.03.2007 (Audited)
Capital Reserve			
As at April 1	765.65	720.14	720.14
Add: Gain on dilution of interest in subsidiary company on its conversion of preference shares to equity shares	—	—	45.51
	765.65	**720.14**	**765.65**
General Reserve			
As at April 1	466.46	407.15	407.15
Add : Transfer from the Profit and Loss Account	—	—	142.32
Less : Provision for leave encashment (Refer note (q) of Schedule 18)	—	18.05	17.47
Less: Utilisation on issue of bonus shares (Refer note (m) of Schedule 18)	—	—	65.54
	466.46	**389.10**	**466.46**
Currency Translation Reserve	(6.91)	(5.63)	(5.45)
Employee Stock Options Outstanding	183.47	0.48	180.61
Less: Deferred Employee Compensation	143.34	—	164.14
	40.13	**0.48**	**16.47**
Balance in Profit and Loss Account	3,379.82	2,362.60	3,001.50
	5,974.07	**4,552.34**	**5,565.81**
3. Secured Loans			
Bank Overdraft	48.74	9.36	3.41
External Commercial Borrowing	42.58	48.15	45.55
Working Capital Loans	43.00	37.04	43.00
Export Packing Credit	25.64	10.28	41.76
Vehicle Loans	18.23	13.10	14.16
Interest accrued and due	0.31	0.70	—
	178.50	**118.63**	**147.88**

Satyam Computer Services Limited
Schedules forming part of the Consolidated Balance Sheet

4. Fixed Assets **Rs. in crores**

	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
DESCRIPTION	**As at 01.04.2007**	**Additions**	**Deletions**	**As at 30.06.2007**	**As at 01.04.2007**	**For the period @**	**On Deletions**	**As at 30.06.2007**	**As at 30.06.2007 (Unaudited)**	**As at 31.03.2007 (Audited)**
1. Goodwill	125.23	1.75	—	126.98	—	—	—	—	126.98	125.23
2. Land & Land Development										
-Freehold*	38.24	—	—	38.24	—	—	—	—	38.24	38.24
-Leasehold	8.13	0.64	—	8.77	0.03	—	—	0.03	8.74	8.10
3. Buildings**	101.76	15.46	—	117.22	16.84	0.99	—	17.83	99.39	84.92
4. Plant and Machinery (Including Computers)	948.85	53.81	0.40	1,002.26	776.40	29.11	0.24	805.27	196.99	172.45
5. Office Equipment	34.62	3.36	0.35	37.63	21.21	1.72	0.25	22.68	14.95	13.41
6. Furniture, Fixtures and Interiors	209.46	21.20	—	230.66	153.43	4.68	—	158.11	72.55	56.03
7. Vehicles	39.15	5.51	1.78	42.88	16.88	1.95	1.21	17.62	25.26	22.27
Total	**1,505.44**	**101.73**	**2.53**	**1,604.64**	**984.79**	**38.45**	**1.70**	**1,021.54**	**583.10**	**520.65**
As at 30.06.2006	**1,317.21**	**54.67**	**2.16**	**1,369.72**	**840.21**	**36.42**	**1.58**	**875.05**	**494.67**	**—**

* Includes Rs. 12.24 crores (March 31, 2007 — 12.24 crores) in respect of which deed of conveyance is pending.

** Includes Rs. 38.85 crores (March 31, 2007 — 38.85 crores) constructed on leasehold land.

@ Depreciation for the quarter includes (Rs. 0.24 crores) considered in Currency Translation Reserve due to translation of non-integral foreign subsidiaries.

Satyam Computer Services Limited
Schedules forming part of the Consolidated Balance Sheet

Rs. in crores

		As at 30.06.2007 (Unaudited)		As at 30.06.2006 (Unaudited)		As at 31.03.2007 (Audited)	
5.	**Investments**						
	Long Term						
i)	**Trade (Unquoted)**						
	Investment in Associate Companies						
	Other Investments						
	Jasdic Park Company						
	(480 Shares of J Yen 50,000 each, fully paid-up)	0.75		0.75		0.75	
	Less: Received on liquidation	0.26		0.26		0.26	
	Less : Provision for diminution	0.49	—	0.49	—	0.49	—
	Intouch Technologies Limited						
	(833,333 Shares of 20 US cents each, fully paid-up)	10.90		10.90		10.90	
	Less : Provision for diminution	10.90	—	10.90	—	10.90	—
	Medbiquitious Services Inc., (334,000 shares of ‘A’ series Preferred Stock of US $0.001 each, fully paid-up)	1.57		1.57		1.57	
	Less : Provision for diminution	1.57	—	1.57	—	1.57	—
	Avante Global LLC., (577,917 class ‘A’ units representing a total value of US $540,750 fully paid-up)	2.54		2.54		2.54	
	Less : Provision for diminution	2.54	—	2.54	—	2.54	—
ii)	**Non Trade (Unquoted)**						
	National Savings Certificates,VIII Series (Lodged as security with government authorities)		—		—		—
			—		—		—

Satyam Computer Services Limited
Schedules forming part of the Consolidated Balance Sheet

	As at 30.06.2007 (Unaudited)	As at 30.06.2006 (Unaudited)	As at 31.03.2007 (Audited)
			Rs. in crores
6. Deferred Tax Assets (net)			
Debtors — Provision for doubtful debts	11.89	10.98	11.83
Advances — Provision for doubtful advances	1.45	1.43	1.43
Fixed Assets — Depreciation	(28.80)	(25.37)	(24.13)
Others — Retirement Benefits etc.	56.80	38.31	54.54
	41.34	**25.35**	**43.67**
7. Inventories			
Traded software and hardware	0.04	0.18	0.02
8. Sundry Debtors (Unsecured)			
Considered good *			
(a) Over six months old	32.81	21.11	25.95
(b) Other debts	1,824.92	1,227.10	1,717.22
	1,857.73	**1,248.21**	**1,743.17**
Considered doubtful	102.08	87.39	98.53
	1,959.81	**1,335.60**	**1,841.70**
Less: Provision for doubtful debts	102.08	87.39	98.53
	1,857.73	**1,248.21**	**1,743.17**

* Debtors include Unbilled Revenue — Rs. 188.12 crores (June 30, 2006 — 272.78 crores; March 31, 2007 — 163.24 crores)

9. Cash and Bank Balances			
Cash on hand	0.09	0.13	0.08
Remittances in Transit	—	9.38	—
Balances with Scheduled Banks			

Rs. in crores

	As at 30.06.2007 (Unaudited)	As at 30.06.2006 (Unaudited)	As at 31.03.2007 (Audited)
- on Current accounts*	612.49	1,399.24	424.29
- on Deposit accounts	3,324.19	1,856.39	3,371.26
Unclaimed Dividend Accounts	6.26	4.96	6.33
Balances with Non-Scheduled Banks**			
- on Current Accounts	145.56	119.51	178.53
- on Deposit Accounts	4.20	37.50	10.93
	4,092.79	**3,427.11**	**3,991.42**

*Includes unutilised amount of ADS issue proceeds — Rs. Nil (June 30, 2006 — 179.23 crores; March 31, 2007 — Nil)
**Refer note (i) of schedule18

10. Loans and Advances			
(Considered good unless otherwise stated)			
Loans and Advances			
Secured - Loans	0.04	0.10	0.04
Unsecured — Advances recoverable in cash or in kind or for value to be received	179.26	117.54	139.51
- Deposits	101.58	82.19	90.06
Considered doubtful — Advances	24.11	17.25	23.21
	304.99	**217.08**	**252.82**
Less: Provision for doubtful advances	24.11	17.25	23.21
	280.88	**199.83**	**229.61**
11. Liabilities			
Sundry Creditors			
- Dues to small scale industrial undertakings	—	—	—
- Dues to other than small scale industrial undertakings	318.77	371.10	415.69
Advances from Customers	1.67	1.67	1.74
Unearned Revenue	97.25	66.39	87.52
Investor Education Protection Fund shall be credited by the following amounts — Unclaimed Dividends	6.26	4.96	6.33
Interest accrued but not due on loans	0.43	0.47	0.47
Other Liabilities	73.15	50.02	62.78
	497.53	**494.61**	**574.53**
12. Provisions			
Provision for Taxation (Less payments)	71.66	25.92	62.05
Proposed Dividend (Including tax thereon)	195.15	186.85	195.15
Provision for Gratuity and Leave Encashment	168.24	114.52	162.93
	435.05	**327.29**	**420.13**

Satyam Computer Services Limited
Schedules forming part of the Consolidated Profit and Loss Account

	for the Quarter ended 30.06.2007 (Unaudited)	for the Quarter ended 30.06.2006 (Unaudited)	Rs. in crores for the Year ended 31.03.2007 (Audited)
13. Other Income			
Interest on Deposits — Gross {Tax Deducted at Source Rs. 15.25 crores} (June 30, 2006 - 6.47 crores; March 31, 2007 - 37.12 crores)	67.53	29.37	167.26
Gain/(Loss) on exchange fluctuations (net)	(6.55)	44.70	11.88
Miscellaneous Income	2.22	0.41	4.14
	63.20	**74.48**	**183.28**
14. Personnel Expenses			
Salaries and bonus	1,004.65	773.50	3,553.42
Contribution to Provident and other funds	72.84	52.90	267.44
Staff welfare expenses	5.03	5.22	21.08
Employee stock compensation expense	23.66	(0.01)	15.99
	1,106.18	**831.61**	**3,857.93**
15. Cost of software and hardware sold			
Opening inventory	0.02	0.19	0.19
Add: Purchases (net of returns)	0.27	0.67	2.10

Rs. in crores

	for the Quarter ended 30.06.2007 (Unaudited)	for the Quarter ended 30.06.2006 (Unaudited)	for the Year ended 31.03.2007 (Audited)
Less: Closing inventory	0.04	0.18	0.02
	0.25	**0.68**	**2.27**
16. Operating and Administration Expenses			
Rent	28.51	21.65	100.75
Rates and taxes	6.39	6.32	26.76
Insurance	4.03	4.05	17.33
Travelling and conveyance	106.88	81.54	397.89
Communication	22.64	18.67	78.70
Printing and stationery	1.33	1.53	9.62
Power and fuel	12.50	9.36	37.89
Advertisement	1.35	1.29	3.92
Marketing expenses	17.33	18.64	64.13
Repairs and maintenance			
- Buildings	0.81	0.64	2.76
- Machinery	4.94	4.08	18.85
- Others	6.63	5.60	29.84
Security services	1.59	0.98	4.97
Legal and professional charges	45.44	35.63	147.52
Provision for doubtful debts and advances	6.21	2.26	19.55
Loss on sale of Fixed assets (net)	0.36	0.22	0.88
Directors’ sitting fees	0.01	0.01	0.04
Auditors’ remuneration	0.78	0.36	4.21
Donations and contributions	1.04	0.87	3.63
Subscriptions	0.71	0.68	3.15
Training and development	10.19	3.95	24.91
Research and development	0.41	0.34	1.29
Software charges	3.89	8.75	21.89
Managerial Remuneration			
- Salaries	0.52	0.09	1.66
- Commission	1.05	0.15	0.95
- Contribution to Provident Fund	0.01	0.01	0.04
- Others	0.04	0.05	0.23
Visa charges	23.76	23.36	44.74
Miscellaneous expenses	4.12	4.55	19.07
	313.47	**255.63**	**1,087.17**
17. Financial Expenses			
Interest on Export packing credit	0.55	0.02	0.22
Interest on working capital loans	1.62	1.20	6.31
Interest on Overdraft	0.54	0.20	1.45
Other finance charges	0.61	1.13	7.94
	3.32	**2.55**	**15.92**

18. Notes to Accounts

a) List of domestic and foreign subsidiaries and joint ventures considered for consolidation:-

Sl. No.	Name of the Company	Country of Incorporation	Extent of holding (%) as at June 30, 2007
	Subsidiaries :		
1.	Nipuna Services Limited	India	74.00**
2.	Satyam Computer Services (Shanghai) Co. Ltd	China	100.00
3.	Satyam Technologies, Inc.	USA	100.00
4.	Knowledge Dynamics Pte.Ltd. @	Singapore	100.00
5.	Citisoft Plc. *	UK	100.00
	Joint Ventures :		
6.	CA Satyam ASP Private Limited	India	50.00
7.	Satyam Venture Engineering Services Private Limited	India	50.00

@ Knowledge Dynamics has been consolidated with effective date of October 01, 2005, the date of acquisition.

* Citisoft Plc. has been consolidated with effective date of May 12, 2005, the date of acquisition.

** Refer note 18(d).

The reporting date for all the above companies is March 31 except as following:

- Satyam Computer Services (Shanghai) Co. Ltd. — December 31.
- Satyam Technologies Inc. — December 31.

Sl. No.	Subsidiaries of Knowledge Dynamics Pte Ltd	Country of Incorporation	Extent of holding (%) as at June 30, 2007
1.	Info On Demand SDN BHD	Malaysia	100.00
2.	Knowledge Dynamics Private Limited	India	99.99
3.	Knowledge Dynamics USA Inc.	USA	98.00

Sl. No.	Subsidiaries of Citisoft Plc.	Country of Incorporation	Extent of holding (%) as at June 30, 2007
1.	Citisoft Inc.	USA	100.00

b) Associate Stock Option Schemes

1) Stock Option Scheme of Satyam Computer Services

i) Scheme established prior to SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, (SEBI guidelines on Stock Options)

In May 1998, Satyam Computer Services established its Associate Stock Option Plan (the “ASOP”). Satyam Computer Services subsequently established an employee welfare trust called the Satyam Associates Trust (the “Trust”), to administer the ASOP and issued warrants to purchase 6,500,000 equity shares of Rs. 2 each in Satyam Computer Services. In turn, the Trust periodically grants to eligible employees warrants to purchase equity shares held by Trust for the issuance to the employees. The warrants may vest immediately or may vest over a period ranging from two to three years, depending on the employee’s length of service and performance. Upon vesting, employees have 30 days to exercise warrants. The exercise price of the warrants was fixed at Rs. 450 per warrant.

At the 12th Annual General Meeting held on May 28, 1999, shareholders approved a 1:1 Bonus issue to all shareholders as of August 31, 1999. In order to ensure all its employees receive the benefits of the bonus issue in December 1999, the Trust exercised all its warrants to purchase Satyam Computer Service’s shares prior to the bonus issue using the proceeds obtained from bank loans. Subsequent to this, each warrant entitles the holder to purchase 10 shares of Rs. 2 each of Satyam Computer Services at a price of Rs. 450 per warrant plus an interest component associated with the loan which the Trust assumed, for conversion of the warrants it held. The interest component is computed based on fixed vesting period and a fixed interest rate. As this scheme is established prior to the SEBI guidelines on the stock options, there is no cost relating to the grant of options under this scheme.

ii) Scheme established after SEBI Guidelines on Stock Options

Securities Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999, which is applicable for all Stock Option Schemes established after June 19, 1999.

Satyam Computer Services established a scheme "Associate Stock Option Plan — B" (ASOP — B) for which 83,454,280 equity shares of Rs. 2 each were earmarked. These warrants vest over a period of 2-4 years from the date of the grant. Upon vesting, associates have 5 years to exercise these shares.

Accordingly, options (net of cancellations) for a total number of 19,117,177 equity shares of Rs. 2 each were outstanding as at June 30, 2007 (June 30, 2006 — 40,628,076; March 31, 2007 — 19,976,210).

Changes in number of options outstanding were as follows:

Options	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
At the beginning of the period / year	19,976,210	45,605,388	45,605,388
Granted	—	—	—
Exercised	(438,390)	(3,552,096)	(17,448,659)
Cancelled	(420,643)	(1,425,216)	(8,180,519)
At the end of the period / year	19,117,177	40,628,076	19,976,210

iii) Associate Stock Option Plan (ADS)

Satyam Computer Services has established a scheme "Associate Stock Option Plan (ADS)" to be administered by the Administrator of the ASOP (ADS), a committee appointed by the Board of Directors of Satyam Computer Services. Under the scheme 5,149,330 ADS are reserved to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the day of grant as decided by the Administrator of the ASOP (ADS). Each ADS represents two equity shares of Rs. 2 each fully paid up. These warrants vest over a period of 1-10 years from the date of the grant. The time available to exercise the warrants upon vesting is as decided by the Administrator of the ASOP (ADS).

Accordingly, options (net of cancellation) for a total number of 1,439,946 ADS (June 30, 2006 – 1,900,496; March 31, 2007 – 1,461,064) representing 2,879,892 equity shares of Rs. 2 each were outstanding as at June 30, 2007 (June 30, 2006 – 3,800,992; March 31, 2007 – 2,922,128).

Changes in number of options outstanding were as follows:

Options	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
At the beginning of the period / year	1,461,064	1,991,342	1,991,342
Granted	—	20,000	20,000
Exercised	(18,062)	(84,454)	(424,136)
Cancelled	(3,056)	(26,392)	(126,142)
At the end of the period / year	1,439,946	1,900,496	1,461,064

iv) Associate Stock Option Plan — Restricted Stock Units (ASOP – RSUs)

Satyam Computer Services has established a scheme "Associate Stock Option Plan — Restricted Stock Units (ASOP – RSUs)" to be administered by the Administrator of the ASOP – RSUs, a committee appointed by the Board of Directors of Satyam Computer Services. Under the scheme 13,000,000 equity shares are reserved to be issued to eligible associates at a price to be determined by the Administrator which shall not be less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the warrants upon vesting is five years from the date of vesting.

Accordingly, options (net of cancellations) for a total number of 3,318,140 ASOP-RSUs equity shares of Rs. 2 each were outstanding as at June 30, 2007 (June 30, 2006 – Nil; March 31, 2007 – 3,293,140).

Options	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
At the beginning of the period / year	3,293,140	—	—
Granted	25,000	—	3,293,140
Exercised	—	—	—
Cancelled	—	—	—
At the end of the period / year	3,318,140	—	3,293,140

v) Associate Stock Option Plan — RSUs(ADS) (ASOP – RSUs(ADS))

Satyam Computer Services has established a scheme "Associate Stock Option Plan — RSUs (ADS)" to be administered by the Administrator of the ASOP – RSUs (ADS), a committee appointed by the Board of Directors of Satyam Computer Services. Under the scheme 13,000,000 equity shares minus the number of shares issued from time to time under the Associate Stock Option Plan — RSUs are reserved to be issued to eligible associates at a price to be determined by the Administrator not less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the warrants upon vesting is five years from the date of vesting.

Accordingly, options (net of cancellation) for a total number of 254,120 ADS (June 30, 2006 – Nil; March 31, 2007 – 236,620) representing 508,240 equity shares of Rs. 2 each were outstanding as at June 30, 2007 (June 30, 2006 – Nil; March 31, 2007 – 473,240).

Options	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
At the beginning of the period / year	236,620	—	—
Granted	17,500	—	236,620
Exercised	—	—	—
Cancelled	—	—	—
At the end of the period / year	254,120	—	236,620

2) Stock Option Scheme of Nipuna Services

In April 2004, Nipuna Services established its Employee Stock Option Plan (the "ESOP") for its employees. The exercise price is equal to the fair market value on the date of the grant. These options vest over a period ranging from two to four years, starting with 33.33% in the second year, 33.33% in the third year and remaining 33.34% in the fourth year from the date of grant. Upon granting, they are subject to lock in period of one year.

Accordingly, options (net of cancellations) for a total number of 998,702 equity shares of Rs. 80 each were outstanding as at June 30, 2007 (June 30, 2006 – 855,506; March 31, 2007 – 998,702).

Options	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
At the beginning of the period / year	998,702	1,215,506	1,215,506
Granted	–	–	324,000
Exercised	–	–	–
Cancelled	–	(360,000)	(540,804)
At the end of the period / year	998,702	855,506	998,702

c) Pro forma disclosure:

In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had the compensation cost for associate stock option plans been recognized based on the fair value at the date of grant in accordance with Black Scholes' model, the pro forma amounts of Satyam's net profit and earnings per share would have been as follows:

	Quarter ended June 30,		Year ended
	2007	2006	March 31, 2007
Particulars	(Unaudited)	(Unaudited)	(Audited)
1. Profit After Taxation and share of loss in associate company and Minority Interest (Rs. in crores)			
- As reported (Rs. in crores)	378.32	354.12	1,404.74
- Pro forma (Rs. in crores)	374.63	338.11	1,354.56
2. Earnings Per Share:			
Basic			
- No. of shares	667,398,284	651,454,264	654,853,959
- EPS as reported (Rs.)	5.67	5.44	21.45
- Pro forma EPS (Rs.)	5.61	5.19	20.68
Diluted			
- No. of shares	684,730,168	675,897,090	669,705,425
- EPS as reported (Rs.)	5.53	5.24	20.98
- Pro forma EPS (Rs.)	5.47	5.00	20.23

The following assumptions were used for calculation of fair value of grants:

	Quarter ended June 30,		Year ended
	2007	2006	March 31, 2007
Options	(Unaudited)	(Unaudited)	(Audited)
Dividend yield (%)	0.78	0.85	0.78
Expected volatility (%)	56.64	56.86	59.01
Risk-free interest rate (%)	7.00	7.00	8.00
Expected term (in years)	1.15	1.14	0.96

d) Convertible Redeemable Cumulative Preference Shares

Nipuna Services issued 45,669,999 and 45,340,000 0.05% Convertible Redeemable Cumulative Preference Shares of par value Rs.10 each fully paid-up in October 2003 and June 2004 respectively to Olympus BPO Holdings Ltd. and Intel Capital Corporation (preference shareholders) for an aggregate consideration of Rs. 91.01 crores (equivalent to US$ 20 millions). These Preference shares are to be mandatorily converted/redeemed into such number of equity shares latest by June 2007 based on certain provisions in the agreement entered with the preference shareholders relating to revenues and profits earned up to March 31, 2006. The said preference shares, if not converted or early converted at the option of the preference shareholders based on certain triggering events, are redeemable on maturity in June 2007 at a redemption premium, which could range in between 7.5% to 13.5% p.a. Accordingly, Nipuna has received a notice of conversion of fifty percent of preference shares into equity shares, from its preference share holders, on December 1, 2006. And in January 2007 45,505,000 preference shares have converted into 6,422,267 equity shares of Nipuna. The balance preference shares are to be redeemed with a premium to be mutually agreed upon at a later date. Satyam Computer Services has guaranteed payment of all sums payable by Nipuna to the preference shareholders on redemption of the said preference shares.

Due to the issue of shares by Nipuna Satyam Computer Services' ownership interest in Nipuna was reduced from 100% as at March 31, 2006 to 74% as at June 30, 2007. The shares issued to the Investors are at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of Rs.45.51 crores during the year ended March 31, 2007 has been recorded as an increase in capital reserve. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam's consolidated statement of income.

e) Share application money pending allotment

Amount received from associates of Satyam Computer Services on exercise of stock options, pending allotment of shares is shown as share application money pending allotment.

f) Secured Loans

Bank Overdraft is secured by way of hypothecation of book debts.

External Commercial Borrowing is secured by way of movable and immovable property.

Working capital loan is secured by way of movable and immovable property.

Export Packing Credit loan is secured by way of hypothecation of book debts.

Vehicles are hypothecated to the Banks as security for the amounts borrowed.

g) Investments

i. During May 2005, Satyam Computer Services acquired Citisoft Plc ("Citisoft"), a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry, with operating presence in London, Boston and New York.

Satyam Computer Services acquired 75% of the shareholding in Citisoft for an initial cash consideration of Rs. 62.35 crores (inclusive of acquisition costs) and a deferred consideration of Rs.13.63 crores (equivalent GBP 1.75 million). Satyam Computer Services is also required to pay a maximum earn out consideration amounting to Rs.18.35 crores (equivalent GBP 2.25 million) based on achievement of targeted revenues and profits and EBT contribution of Rs. 8.00 crores (equivalent GBP 0.9 million).

On June 29, 2006, Satyam Computer Services acquired the remaining 25% shareholding for a consideration of Rs. 27.47 crores (equivalent GBP 3.26 million) and a maximum earn-out consideration of Rs. 28.87 crores (equivalent GBP 3.54 million) based on achievement of targeted revenues and profits and a maximum EBT contribution of Rs. 14.68 crores (equivalent GBP 1.80 million) contingent on Citisoft achieving certain revenue and profit performance targets. The Company paid Rs. 0.65 crores (Equivalent GBP 0.08 million) towards EBT contribution in May 2007.

On June 29, 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders providing for an early exit of the selling shareholders. As per the amendment agreement, an exit consideration of Rs. 14.25 crores (Equivalent GBP 1.74 million) and payment towards EBT of Rs.0.65 crores (Equivalent GBP 0.08 million) is payable by Satyam Computer Services in July 2007 upon selling shareholders agreeing for removal of provisions of deferred consideration, maximum earn-out consideration and a portion of payments towards EBT. The exit consideration and EBT contribution payable as per the amended agreement has been recognized as cost of investment by Satyam Computer Services.

ii. During October 2005, Satyam Computer Services acquired Knowledge Dynamics Pte Ltd (KDPL), a leading Data Warehousing and Business Intelligence Solutions provider, with operating presence in Singapore, Malaysia, USA and India.

Satyam Computer Services acquired 100% of the shareholding in KDPL for a consideration of Rs. 14.64 crores (inclusive of acquisition costs). A maximum earn out consideration of Rs. 4.87 crores (Equivalent SGD 1.84 million) is payable on April 30, 2008, based on achievement of targeted revenues and profits.

h) Land

Satyam Computer Services acquired 14.93 acres of land at Hyderabad from Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for an aggregate purchase consideration of Rs.7.21 crores. Non-compliance with certain terms and conditions would attract withdrawal of rebate, which may increase the cost of land.

i) **Balances with Non-Scheduled Banks**

Rs. in crores

Name of the Bank	As at June 30, 2007 (Unaudited)	As at June 30, 2006 (Unaudited)	As at March 31, 2007 (Audited)
Balances with Non-Scheduled Banks on Current Accounts			
ANZ Grindlays Bank, New York	—	—	—
Banco Do Brasil, Brazil	0.69	—	0.60
Barclays Bank, London	4.71	2.26	1.37
Bank of America, Boston	2.84	0.98	0.40
Banque Nationale De Paris, Brussels	2.83	0.44	1.80
Banque Nationale De Paris, Euro	—	0.01	—
Banque Nationale De Paris, Saarbruecken	4.66	1.45	2.40
Banque Nationale De Paris, Hague	4.19	3.40	2.84
Banque Nationale De Paris, Ireland	0.73	0.78	1.66
Banque Nationale De Paris, Italy	0.28	2.93	0.93
Banque Nationale De Paris, France	0.82	1.49	1.88
Banque Nationale De Paris, Saudi Arabia	1.31	—	0.19
Banque Nationale De Paris, Singapore	0.32	0.14	0.33
Banque Nationale De Paris, Spain	0.39	0.79	0.60
Banque Nationale De Paris, Switzerland	1.94	—	0.37
Banque Nationale De Paris, Taipei	2.61	2.45	2.45
Chase, Canada	0.01	0.05	0.01
Chase, Michigan	0.32	0.63	0.53
Citibank NA, Bangkok	16.34	10.71	14.19
Citibank NA, Brazil	0.29	—	—
Citibank NA, Chicago	—	1.51	—
Citibank NA, Denmark	1.86	0.01	0.58
Citibank NA, Dubai	1.13	0.73	0.08
Citibank NA, Hong Kong	0.37	0.25	1.56
Citibank NA, Hungary	0.48	0.09	0.18
Citibank NA, Kuala Lumpur	1.04	3.66	0.80
Citibank NA, London	1.40	0.53	2.25
Citibank NA, New York	8.58	6.87	9.42
Citibank NA, New Zealand	1.38	1.20	1.37
Citibank NA, Seoul	10.73	8.48	10.39
Citibank NA, Singapore	2.55	3.81	3.81
Citibank NA, Johannesburg	5.78	1.41	2.21
Citibank NA, Sydney	18.33	7.84	18.67
Citibank International Plc, Stockholm	0.55	—	0.45
Citibank NA, Toronto	2.38	2.85	2.47
Commerz Bank, New York	—	—	—
Dresdner Bank, Saarbruecken	2.87	6.10	2.82
Hong Kong and Shanghai Banking Corporation, London	13.95	19.66	21.09
Hong Kong and Shanghai Banking Corporation, Mauritius	0.09	—	—
Hong Kong and Shanghai Banking Corporation, Shanghai	1.72	0.39	1.42
Hong Kong and Shanghai Banking Corporation, Tokyo	4.86	6.98	3.83
Koonmin Bank, Seoul	—	0.05	—
KSB Bank N V, Brussels	2.62	4.59	0.95
Mitsui Sumitomo Bank, Tokyo	0.21	0.29	0.58
OCBC Bank, Singapore	0.77	0.02	0.83
OCBC Bank, Kuala Lumpur	—	0.07	—
Pudong Development Bank, Shanghai	0.01	0.04	—
Standard Chartered Bank, Singapore	—	0.01	—
UBS, Switzerland	1.98	3.78	7.67
Unicredit Banca, Italy	0.40	1.01	0.57
United Bank, Vienna	6.83	2.67	39.55
Wachovia Bank, Atlanta	1.75	1.55	1.43
Wachovia Bank, New Jersey	5.66	4.54	11.00
	145.56	**119.51**	**178.53**
Balances held on Deposit Accounts			
Banque Nationale De Paris, Singapore	3.40	36.76	10.09
Citibank NA, Hungary	0.80	0.74	0.84
	4.20	**37.50**	**10.93**

j) **Segment Reporting**

Satyam has adopted AS 17, "Segment Reporting" issued by the Institute of Chartered Accountants of India, which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on consolidated revenues and net income for the companies in Satyam Computer Services. Satyam evaluates operating segments based on the following two business groups:

- IT Services, providing a comprehensive range of services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions, and infrastructure management services. Satyam Computer Services provides its customers the ability to meet all of their information technology needs from one service provider. Satyam Computer Services' eBusiness services include designing, developing integrating and maintaining Internet-based applications, such as eCommerce websites, and implementing packaged software applications, such as customer or supply chain management software applications. Satyam Computer Services also assists its customers in making their existing computing systems accessible over the Internet.

- BPO, providing Business Process Outsourcing services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

Satyam's operating segment information for the quarter ended June 30, 2007 and 2006 and year ended March 31, 2007 are as follows:

Business Segment

Rs. in crores

	Quarter ended June 30, 2007 (Unaudited)			
Description	**IT Services**	**BPO**	**Elimination**	**Total**
Revenue				
Sales to external customers	1,795.34	34.85	—	1,830.19
Inter Segment Sales	0.02	13.80	(13.82)	—
Total Revenue	**1,795.36**	**48.65**	**(13.82)**	**1,830.19**
Segment result—Profit/(Loss)	378.66	(7.06)	—	371.60
Interest expense	0.52	2.80	—	3.32
Other income	61.47	1.73	—	63.20
Income taxes	53.02	0.14	—	53.16
Profit/(Loss) from ordinary activities	**386.59**	**(8.27)**	**—**	**378.32**
Minority Interest	—	—	—	—
Profit/(Loss) after Tax and share of loss in associate company and Minority Interest	**386.59**	**(8.27)**	**—**	**378.32**
Other Segment Information			—	
Capital Expenditure	91.54	5.46		97.00
Depreciation	33.46	5.23	—	38.69
Non-cash expenses other than depreciation	30.23	—	—	30.23

Rs. in crores

	Quarter ended June 30, 2006 (Unaudited)			
Description	**IT Services**	**BPO**	**Elimination**	**Total**
Revenue				
Sales to external customers	1,414.22	28.71	—	1,442.93
Inter Segment Sales	0.38	7.65	(8.03)	—
Total Revenue	**1,414.60**	**36.36**	**(8.03)**	**1,442.93**
Segment result—Profit/(Loss)	323.91	(5.07)	—	318.84
Interest expense	1.09	1.46	—	2.55
Other income	74.05	0.43	—	74.48
Income taxes	36.72	0.05	—	36.77
Profit/(Loss) from ordinary activities	**360.15**	**(6.15)**	—	**354.00**
Minority Interest	0.12	—	—	0.12
Profit/(Loss) after Tax and share of loss in associate company and Minority Interest	**360.27**	**(6.15)**	—	**354.12**
Other Segment Information				
Capital Expenditure	89.46	7.34	—	96.80
Depreciation	33.23	2.94	—	36.17
Non-cash expenses other than depreciation	2.41	0.06	—	2.47

Rs. in crores

Description	IT Services	BPO	Elimination	Total
	Year ended March 31, 2007 (Audited)			
Revenue				
Sales to external customers	6,354.40	130.68	—	6,485.08
Inter Segment Sales	1.13	41.01	(42.14)	—
Total Revenue	**6,355.53**	**171.69**	**(42.14)**	**6,485.08**
Segment result—Profit/(Loss)	1,397.90	(8.63)	—	1,389.27
Interest expense	7.71	8.21	—	15.92
Other income	183.46	(0.18)	—	183.28
Income taxes	151.42	0.59	—	152.01
Profit/(Loss) from ordinary activities	**1,422.23**	**(17.61)**	—	**1,404.62**
Minority Interest	0.12	—	—	0.12
Profit/(Loss) after Tax and share of loss in associate company and Minority Interest	**1,422.35**	**(17.61)**	—	**1,404.74**
Other Segment Information				
Capital Expenditure	381.13	36.09	—	417.22
Depreciation	133.73	14.71	—	148.44
Non-cash expenses other than depreciation	36.21	0.21	—	36.42

Particulars of Segment Assets and Liabilities

Rs. in crores

Description	IT Services	BPO	Elimination	Total
	As at June 30, 2007 (Unaudited)			
Segment Assets	3,655.30	186.54	(59.43)	3,782.41
Investments	18.27	—	(18.27)	—
Bank Deposits	3,324.72	3.67	—	3,328.39
Other Assets	157.85	0.05	—	157.90
Total Assets	**7,156.14**	**190.26**	**(77.70)**	**7,268.70**
Segment Liabilities	870.21	50.14	(59.43)	860.92
Other Liabilities	93.06	157.10	—	250.16
Total Liabilities	**963.27**	**207.24**	**(59.43)**	**1,111.08**

Rs. in crores

Description	IT Services	BPO	Elimination	Total
	As at June 30, 2006 (Unaudited)			
Segment Assets	3,512.66	105.40	(19.09)	3,598.97
Investments	18.27	—	(18.27)	—
Bank Deposits	1,856.86	37.03	—	1,893.89
Other Assets	157.23	0.03	—	157.26
Total Assets	**5,545.02**	**142.46**	**(37.36)**	**5,650.12**
Segment Liabilities	778.70	36.37	(19.09)	795.98
Other Liabilities	40.61	103.94	—	144.55
Total Liabilities	**819.31**	**140.31**	**(19.09)**	**940.53**

Rs. in crores

Description	IT Services	BPO	Elimination	Total
	As at March 31, 2007 (Audited)			
Segment Assets	3,302.98	169.21	(67.82)	3,404.37
Investments	18.27	—	(18.27)	—
Bank Deposits	3,371.84	10.35	—	3,382.19
Other Assets	108.53	0.05	—	108.58
Total Assets	**6,801.62**	**179.61**	**(86.09)**	**6,895.14**
Segment Liabilities	943.25	57.18	(67.82)	932.61
Other Liabilities	78.79	131.14	—	209.93
Total Liabilities	**1,022.04**	**188.32**	**(67.82)**	**1,142.54**

Geographic Segment

Revenue attributable to location of customers is as follows:

Rs. in crores

Geographic location	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
North America	1,132.96	927.64	4,132.28
Europe	379.54	273.64	1,250.27
Japan	23.90	15.74	92.85
India	53.25	66.27	296.96
Rest of the World	240.54	159.64	712.72
Total	**1,830.19**	**1,442.93**	**6,485.08**

Segment assets based on their location are as follows:

Rs. in crores

	Segment Assets			Addition to fixed assets		
	As at June 30,		As at	Quarter ended June 30,		Year ended
Geographic location	2007 (Unaudited)	2006 (Unaudited)	March 31, 2007 (Audited)	2007 (Unaudited)	2006 (Unaudited)	March 31, 2007 (Audited)
North America	1,567.77	2,050.62	1,343.59	1.86	0.92	4.14
Europe	584.54	341.71	544.15	2.66	0.28	12.23
Japan	42.68	36.15	57.23	1.53	0.08	0.30
India	1,175.70	891.60	1,102.67	86.44	94.54	394.40
Rest of the World	411.72	278.89	356.73	4.51	0.98	6.15
Total	**3,782.41**	**3,598.97**	**3,404.37**	**97.00**	**96.80**	**417.22**

k) Related Party Transactions:

Satyam Computer Services had transactions with the following related parties:

Others: Satyam Foundation Trust (Enterprises where trustees are spouses of certain Whole-time Directors and Key Management Personnel) and Satyam Associate Trust (Enterprises where some trustees are Key Management Personnel).

Directors and Key Management Personnel: B.Ramalinga Raju, B.Rama Raju, Ram Mynampati (Whole-time Directors), Prof. Krishna G Palepu (Director), Abraham Joseph, A.S.Murthy, Mohan Eddy (partly employed), G.B.Prabhat (partly employed), D.Subramaniam, V.Srinivas, G.Jayaraman, Shailesh Shah, Vijay Prasad Boddupalli, Manish Sukhlal Mehta, Dr.Keshab Panda, Virender Aggarwal, T.R.Anand, Ravi Shankar Bommakanti, Venkatesh Roddam, M.Satyanarayana, Murali V, Hari T, Deepak Mangla (partly employed), Naresh Jhangiani and Seshadri Krishna.

Summary of the transactions and balances with the above related parties are as follows:

Transactions:

Rs. in crores

	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
Others			
Contributions	0.98	0.87	3.48

Balances:

Rs. in crores

	As at June 30, 2007 (Unaudited)	As at June 30, 2006 (Unaudited)	As at March 31, 2007 (Audited)
Others			
Advances	5.72	0.71	5.72

Transactions with Directors and Key Management Personnel

Rs. in crores

Nature of Transactions	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
Remuneration to Whole-time Directors	0.57	0.15	2.27
Remuneration to Key Management Personnel	5.99	5.25	24.01
Professional charges to Director	0.20	—	0.87
Advances to Key Management Personnel	0.04	0.01	1.58

Balances due to / from Directors and Key Management Personnel

Rs. in crores

	As at June 30, 2007 (Unaudited)	As at June 30, 2006 (Unaudited)	As at March 31, 2007 (Audited)
Remuneration payable to Whole-time Directors	0.42	0.22	0.45
Remuneration payable to Key Management Personnel	0.90	0.32	0.89
Advances due from Key Management Personnel	0.17	0.39	0.19
Professional charges payable to Director	0.20	—	0.87

Options granted and outstanding to the Key Management Personnel 3,057,097 {includes 112,163 options granted under ASOP — ADS and 15,000 options granted under ASOP — RSUs (ADS)} (June 30, 2006 — 3,232,763 {includes 614,870 options granted under ASOP — ADS and Nil options granted under ASOP — RSUs (ADS)}; March 31, 2007 — 2,947,334 {includes 112,163 options granted under ASOP — ADS and 15,000 options granted under ASOP — RSUs (ADS)}).

Options granted and outstanding to a Whole-time Director 1,050,720 {includes 1,025,720 options granted under ASOP — ADS and 25,000 options granted under ASOP — RSUs (ADS)} (June 30, 2006 — Nil; (March 31, 2007 — 1,050,720 {includes 1,025,720 options granted under ASOP — ADS and 25,000 options granted under ASOP — RSUs (ADS)}).

Options granted and outstanding to Non-executive Directors of Satyam Computer Services and its subsidiary 60,000 {includes 35,000 options granted under ASOP — RSUs (ADS)} (June 30, 2006 — Nil; March 31, 2007 — Nil).

l) Obligation on long term non-cancelable operating leases

Satyam Computer Services has entered into operating lease agreements for its development centres at offshore, onsite and offsites ranging for a period of 3 to 10 years. The lease rentals charged during the period / year and maximum obligations on long-term non-cancelable operating leases payable as per the rentals stated in respective agreements are as follows:

Rs. in crores

	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
Lease rentals (Refer Schedule 16)	28.51	21.65	100.75

	As at June 30, 2007 (Unaudited)	As at June 30, 2006 (Unaudited)	As at March 31, 2007 (Audited)
Obligations on non-cancelable leases			
Not later than one year	22.51	17.16	20.23
Later than one year and not later than five years	15.17	13.39	17.20
Later than five years	1.21	1.85	1.43
Total	**38.89**	**32.40**	**38.86**

m) Earnings per Share

At the Annual General Meeting of Satyam Computer Services held on August 21, 2006, the shareholders approved a 1:1 bonus issue for all shareholders including the ADS holders i.e. one additional equity share for every one existing equity share held by the members by utilising a part of the general reserves. The record date for the bonus issue was October 10, 2006 and shares were allotted on October 11, 2006. All basic and diluted shares used in determining earnings per share are after considering the effect of bonus issue.

Calculation of EPS (Basic and Diluted):

S.No.	Particulars	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
Basic				
1.	Opening no. of shares	667,196,009	648,899,078	648,899,078
2.	Total Shares outstanding	667,398,284	651,454,264	654,853,959
3.	Profit after Taxation, share of loss in associate companies and Minority Interest (Rs. in crores)	378.32	354.12	1,404.74
4.	EPS (Rs.)	5.67	5.44	21.45
Diluted				
5.	Stock options outstanding	17,331,884	24,442,826	14,851,466
6.	Total shares outstanding (including dilution)	684,730,168	675,897,090	669,705,425
7.	EPS (Rs.)	5.53	5.24	20.98

n) The aggregate amounts of the assets, liabilities, income and expenses related to Satyam's share in joint venture companies that are consolidated and included in these financial statements are as follows:

Rs. in crores

Description	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
Income from Sales and Services	8.92	9.71	38.38
Other Income	(0.09)	0.22	1.97
Total	**8.83**	**9.93**	**40.35**
Personnel expenses	5.32	5.21	19.57
Other expenses	2.93	2.77	12.74
Interest	0.01	0.02	0.09
Depreciation	0.49	0.48	2.02
Total	**8.75**	**8.48**	**34.42**
Net Profit	**0.08**	**1.45**	**5.93**

Rs. in crores

Description	As at June 30, 2007 (Unaudited)	As at June 30, 2006 (Unaudited)	As at March 31, 2007 (Audited)
Secured Loans	0.06	0.11	0.06
Unsecured Loans	—	0.5	—
Fixed Assets	2.85	3.67	2.96
Inventories	0.04	0.18	0.02
Sundry Debtors	13.00	12.84	12.12
Cash and Bank Balances	9.61	2.47	9.84
Loans and Advances	7.11	7.06	3.32
Interest Accrued on Fixed Deposits	0.04	—	0.03
Current Liabilities	7.84	5.61	6.46
Provisions	3.62	2.52	0.61

o) Commitments and Contingencies

i) Nipuna Services Limited (a majority owned subsidiary-Nipuna) issued 45,669,999 and 45,340,000 0.05% Convertible Redeemable Cumulative Preference Shares of par value of Rs.10 each fully paid—up in October 2003 and June 2004 respectively to Olympus BPO Holdings Ltd. and Intel Capital Corporation ("Preference shareholders") for an aggregate consideration of Rs. 91.01 crores (equivalent to US$ 20 millions). These Preference shares are to be mandatorily converted into such number of equity shares latest by June 2007 or redeemed based on certain provisions in the agreement entered with the preference shareholders relating to revenues and profits earned up to March 31, 2006. The said preference shares, if not converted or early converted at the option of the preference shareholders based on certain triggering events, are redeemable on maturity in June 2007 at a redemption premium, which could range in between 7.5% to 13.5% p.a.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement ("SPRA Agreement") was entered into between the Company, the preference shareholders and Nipuna. Out of the total preference shares, 50% of the preference shares of Rs. 45.51 crores (Equivalent US$ 10 million) would be redeemed for Rs. 60.10 crores (Equivalent US$ 13.6 million) at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. The preference shareholders gave Nipuna a Notice of Conversion of Preference Shares and in January 2007, 45,505,000 preference shares have been converted into 6,422,267 equity shares of Nipuna.

Further as per the SPRA Agreement, Satyam Computer Services agrees to purchase and the preference shareholders agree to sell these equity shares at an aggregate purchase price based on a formula. If the share purchase closing occurs on or before the share purchase target date (May 21, 2007) then the purchase price would range from a minimum of Rs. 152.57 crores (Equivalent US$ 35 million) to maximum of Rs. 196.16 crores (Equivalent US$ 45 million), however if an acceleration event occurs the purchase price would equal Rs. 196.16 crores (Equivalent US$45 million). If the share purchase closing occurs after the share purchase target date then the purchase price shall not be less than Rs. 152.57 crores (Equivalent US$ 35 million) however if an acceleration event occurs the purchase price shall not be less than Rs. 196.16 crores (Equivalent US$45 million). This is subject to fulfillment of terms and conditions specified in the agreement and obtaining necessary approvals from appropriate authorities. As of March 31, 2007 an acceleration event has occurred.

As of June 30, 2007, the closure of shares purchase has not taken place.

Satyam Computer Services has guaranteed payment of all sums payable by Nipuna to the preference shareholders on redemption of the said preference shares.

ii) Bank Guarantees outstanding Rs. 97.96 crores (June 30, 2006 — Rs. 58.83 crores; March 31, 2007 — Rs. 99.46 crores).

iii) Contracts pending execution on capital accounts, net of advances, Rs. 196.42 crores (June 30, 2006 — Rs. 154.34 crores; March 31, 2007 — Rs. 164.58 crores).

iv) Forward and Options Contracts outstanding Rs. 3,042.72 crores (equivalent US$ 743.56 millions) {(June 30, 2006 — Rs. 913.86 crores (equivalent US$ 198.00 millions); March 31, 2007 — Rs. 1,978.98 crores (equivalent US$ 452.63 millions)}. Gain/ (Loss) on foreign exchange forward contracts which are included under the head gain/ (loss) on exchange fluctuation in the profit and loss account amounted to Rs. 89.88 crores {June 30, 2006 — (Rs. 22.00 crores) crores; March 31, 2007 — Rs. 26.64 crores}. There are no unhedged forex exposures.

v) Claims against the company not acknowledged as debts

Income tax and Sales tax matters under dispute — Rs. 24.07 crores (June 30, 2006 — Rs. 20.38 crores; March 31, 2007 — Rs. 22.03 crores)

vi) Arrears on 0.05% Convertible Redeemable Cumulative Preference Shares amounting to Rs. 0.14 crores (June 30, 2006 — Rs. 0.11 crores; March 31, 2007 — Rs. 0.14 crores)

vii) Contingent consideration payable in respect of acquired subsidiary companies Rs. 4.87 crores (June 30, 2006 — Rs. 82.45 crores; March 31, 2007 — Rs. 75.56 crores)

viii) Satyam Computer Services has given a corporate guarantee on behalf of a subsidiary for the loan obtained amounting to maximum of Rs. 81.48 crores (June 30, 2006 — Rs. 92.18 crores; March 31, 2007 — Rs. 87.18 crores) (equivalent US$ 20 millions).

ix) Satyam Computer Services had filed a request for arbitration with the London Court of International Arbitration ("LCIA") naming Venture Global Engineering LLC, USA ("VGE") as respondent. The Arbitration concerned a dispute between Satyam Computer Services and VGE in connection with their joint venture Satyam Venture Engineering Services Private Limited ("SVES").

The LCIA Arbitrator issued his Final Award on April 3, 2006 in favour of Satyam Computer Services. Satyam Computer Services has filed a petition to recognize and enforce the Award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois. The Management believes that this will not have any adverse effect upon Satyam's results of operations, financial condition and cash flows.

p) The Gratuity Plan

The following table sets forth the status of the Gratuity Plan of the company, and the amounts recognized in the consolidated balance sheets and profit and loss account.

	Quarter ended June 30, 2007 (Unaudited)	Quarter ended June 30, 2006 (Unaudited)	Year ended March 31, 2007 (Audited)
			Rs. in crores
Projected benefit obligation at the beginning of the period / year	47.56	35.32	35.34
Current service cost	2.23	2.12	8.96
Interest cost	0.86	0.63	2.32
Actuarial loss/(gain)	(0.12)	(0.54)	6.17
Benefits paid	(1.19)	(1.53)	(5.25)
Projected benefit obligation at the end of the period / year	**49.34**	**36.00**	**47.54**
Amounts recognised in the balance sheet			
Projected benefit obligation at the end of the period / year	49.34	36.00	47.54
Fair value of plan assets at end of the period / year	—	—	—
Funded status of the plans — (asset)/ liability	**49.34**	**36.00**	**47.54**
Liability recognised in the balance sheet	**49.34**	**36.00**	**47.54**
Gratuity cost for the period / year			
Current service cost	2.23	2.12	8.96
Interest cost	0.86	0.63	2.32
Net actuarial (gain)/loss recognised in the period / year	(0.12)	(0.54)	6.19
Net gratuity cost	**2.97**	**2.22**	**17.47**
Assumptions			
Discount rate	7.95%	7.00%	8.00%
Long-term rate of compensation increase	7.00%	7.00%	7.00%

q) Provision For Leave encashment

Effective April 1, 2006, Satyam Computer Services has adopted the revised accounting standard (AS-15) on Employee Benefits. Pursuant to the adoption, the transitional obligations of Satyam Computer Services towards leave encashment amounted to Rs. 26.91 crores. As required by the standard, an amount of Rs. 17.52 crores (net of related deferred tax of Rs. 8.86 crores) has been adjusted against general reserves.

r) The financial statements are represented in Rs. crores. Those items which were not represented in the financial statements due to rounding off to the nearest Rs. crores are given below:

Schedule No.	Description	As at June 30, 2007	As at June 30, 2006	As at March 31, 2007
				Rs. in lakhs
5 (ii)	National Saving Certificates, VIII Series (Lodged as security with government authorities)	0.16	0.16	0.16
18(i)	*Balances with non-scheduled banks*			
	ANZ Grindlays Bank, New York	—	0.09	0.09
	Commerz Bank, New York	0.24	0.24	0.24
	Standard Chartered Bank, Singapore	—	0.51	—

s) Reclassification

Figures for the corresponding period and previous year have been regrouped, recast and rearranged to conform to those of the current period wherever necessary.

Satyam Computer Services Limited
Consolidated Cash Flow Statement

	for the Quarter ended 30.06.2007 (Unaudited)	for the Quarter ended 30.06.2006 (Unaudited)	Rs. in crores for the Year ended 31.03.2007 (Audited)
A. Cash Flows from Operating Activities			
Net Profit before Tax	386.63	361.00	1,405.24
Financial expenses	3.32	2.55	15.92
Depreciation / Amortisation	38.69	36.17	148.44
Loss on sale of Fixed Assets	0.36	0.22	0.88
Minority Interest	—	(0.12)	(0.12)
Exchange differences on translation of foreign currency cash and cash equivalents	36.85	(45.13)	(9.23)
Operating profit before changes in Working Capital	**465.85**	**354.69**	**1,561.13**
(Increase)/Decrease in Inventories	(0.02)	0.01	0.17
(Increase)/Decrease in Sundry Debtors	(114.56)	(79.79)	(574.75)
(Increase)/Decrease in Loans and Advances	(51.27)	(15.50)	(45.29)
Increase/(Decrease) in Current Liabilities and Provisions	(73.66)	83.19	212.11
Cash generated from Operating Activities	**226.34**	**342.60**	**1,153.37**
Income Taxes Paid	(41.24)	(59.71)	(157.16)
Net Cash from Operating Activities	**185.10**	**282.89**	**996.21**
B. Cash Flows used in Investing Activities			
Purchase of Fixed Assets	(77.60)	(73.36)	(385.36)
Acquisition of Citisoft Plc.	(17.39)	(14.48)	(22.59)
Acquisition of Knowledge Dynamics Pte Ltd.	—	(3.59)	(3.59)
Proceeds from sale of Fixed Assets	0.47	0.36	2.67
Proceeds from maturity of Long Term Deposits	—	—	1,795.50
Investment in Long Term Deposits	—	—	(3,308.41)
Interest income received	15.88	8.06	212.96
Net Cash used in Investing Activities	**(78.64)**	**(83.01)**	**(1,708.82)**

	for the Quarter ended 30.06.2007 (Unaudited)	for the Quarter ended 30.06.2006 (Unaudited)	Rs. in crores for the Year ended 31.03.2007 (Audited)
C. Cash Flows from Financing Activities			
Proceeds from issue of Share Capital including Share Application money pending allotment	4.50	56.56	301.58
Proceeds from Secured Loans	97.68	26.47	153.38
Repayment of Secured Loans	(67.37)	(11.24)	(108.20)
Financial Expenses Paid	(3.05)	(1.39)	(15.45)
Payment of Dividend	—	—	(261.12)
Net Cash from Financing Activities	**31.76**	**70.40**	**70.19**
D. Exchange differences on translation of foreign currency cash and cash equivalents	**(36.85)**	**45.13**	**9.23**
Net Increase/(Decrease) in Cash and Cash equivalents during the period/year	101.37	315.41	(633.19)
Cash and Cash equivalents at the beginning of the period/year	683.01	1,316.20	1,316.20
Cash and Cash equivalents at the end of the period/year	**784.38**	**1,631.61**	**683.01**
Supplementary Information			
Cash and Bank Balances	4,092.79	3,427.11	3,991.42
Less: Investment in Long Term Deposits with Scheduled Banks	3,308.41	1,795.50	3,308.41
Balance considered for Cash Flow Statement	**784.38**	**1,631.61**	**683.01**
The balance of Cash and Cash equivalents include amounts set aside for payment of dividends	6.26	4.96	6.33

Figures for the corresponding period/year have been regrouped, recast and rearranged to conform to those of the current period wherever necessary.

For and on behalf of the Board of Directors

B. Ramalinga Raju
Chairman

B. Rama Raju
Managing Director

V. Srinivas
Director
& Sr. Vice President — Finance

G. Jayaraman
Sr. Vice President (Corp. Governance)
& Company Secretary

Place : Secunderabad
Date : July 20, 2007

<DOCUMENT>
<TYPE> EX-99.6
<FILENAME> u93075exv99w6.htm
<DESCRIPTION> EX-99.6 Consolidated financial statements for the three month ended June 30, 200
<TEXT>

Exhibit 99.6

SATYAM COMPUTER SERVICES LIMITED

INDEX TO THE U.S. GAAP CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Satyam Computer Services Limited
Consolidated Balance Sheets
(Millions of US Dollars except per share data and as stated otherwise)

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
ASSETS			
Current assets			
Cash and cash equivalents	$ 187.5	$ 352.7	$ 152.2
Investments in bank deposits	—	391.4	—
Accounts receivable, net of allowance for doubtful debts	408.9	210.4	364.2
Unbilled revenue on contracts	47.3	59.7	38.6
Deferred income taxes	18.6	14.5	17.1
Prepaid expenses and other receivables	72.4	55.4	37.1
Total current assets	**734.7**	**1,084.1**	**609.2**
Investments in bank deposits	815.3	—	767.6
Investments in associated companies	4.6	3.8	4.6
Premises and equipment, net	186.8	109.7	163.1
Goodwill, net	34.3	30.6	32.7
Intangible assets, net	7.2	8.6	7.4
Other assets	58.1	19.0	39.5
Total assets	**1,841.0**	**1,255.8**	**1,624.1**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term and current portion of long-term debt	20.4	7.0	12.1
0.05% Cumulative convertible redeemable preference shares, par value Rs.10 (US$0.25)* per share (45,505,000 shares as of June 30, 2007)	13.6	—	13.6
Accounts payable	18.9	9.4	16.8
Accrued expenses and other current liabilities	161.4	120.8	148.6
Unearned and deferred revenue	24.0	14.4	20.1
Total current liabilities	**238.3**	**151.6**	**211.2**
Long-term debt, excluding current portion	23.6	20.2	22.2
Accrued benefit cost — Gratuity, excluding current portion	8.9	—	8.1
Deferred income taxes	13.1	9.5	11.6
Total liabilities	**283.9**	**181.3**	**253.1**
Contingencies and Commitments (*Note No.19*)			
Preferred Stock of Subsidiary			
0.05% Cumulative convertible redeemable preference shares, par value Rs.10 (US$0.25)* per share			
(100 million preference shares authorized, Nil and 91,009,999 preference shares issued as of June 30, 2007 and 2006 (unaudited) respectively and Nil as of March 31, 2007)	—	20.0	—
Shareholders' equity			
Common stock – par value Rs.2 (US$0.05)* per equity share			
(*800 million and 750 million equity shares authorized as of June 30, 2007 and 2006 (unaudited) respectively. 667,670,523 and 652,620,082 equity shares as of June 30, 2007 and 2006 (unaudited) respectively and 667,196,009 as of March 31, 2007*)	36.0	17.7	36.0
Additional paid-in capital	560.1	478.8	552.4
Shares subscribed but unissued	1.1	0.2	1.8
Retained earnings	814.2	572.6	721.1
Accumulated other comprehensive income/(loss)	146.9	(13.6)	60.9
	1,558.3	**1,055.7**	**1,372.2**
Shares held by the SC-Trust under associate stock option plan *(2,295,880 and 2,381,280 equity shares as of June 30, 2007 and 2006 respectively and 2,295,880 as of March 31, 2007)*	(1.2)	(1.2)	(1.2)
Total shareholders' equity	**1,557.1**	**1,054.5**	**1,371.0**
Total liabilities and shareholders' equity	**$ 1,841.0**	**$ 1,255.8**	**$ 1,624.1**

* *The par value in US$ has been converted at the closing rate as of June 30, 2007, 1US$ = Rs.40.58*

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Satyam Computer Services Limited
Consolidated Statements of Income
(Millions of US Dollars except per share data and as stated otherwise)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Revenues	$ 452.3	$ 322.5	$ 1,461.4
Cost of revenues *(Includes stock-based compensation of US$2.7 and US$3.4 for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$12.8 for the year ended March 31, 2007)*	(289.2)	(205.5)	(937.6)
Gross profit	**163.1**	**117.0**	**523.8**
Selling, general and administrative expenses *(Includes stock-based compensation of US$3.2 and US$0.2 for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$2.9 for the year ended March 31, 2007)*	(73.0)	(50.1)	(232.2)
Total operating expenses	**(73.0)**	**(50.1)**	**(232.2)**
Operating income	**90.1**	**66.9**	**291.6**
Interest income	16.4	6.5	37.3
Interest expense	(0.8)	(0.6)	(3.6)
Gain/(Loss) on foreign exchange transactions	(22.9)	14.7	(3.3)
Gain/(Loss) on foreign exchange forward and option contracts	22.1	(4.9)	6.2
Income before income taxes and equity in earnings/(losses) of associated companies	**104.9**	**82.6**	**328.2**
Income taxes	(11.8)	(7.3)	(30.6)
Income before equity in earnings/(losses) of associated companies	**93.1**	**75.3**	**297.6**
Equity in earnings/(losses) of associated companies, net of taxes	—	0.2	0.8
Net income	**$ 93.1**	**$ 75.5**	**$ 298.4**
Earnings per share:			
Basic	$ 0.14	$ 0.12	$ 0.46
Diluted	$ 0.14	$ 0.11	$ 0.45
Weighted average number of shares used in computing earnings per share (in millions)			
Basic	665.1	649.0	652.5
Diluted	679.5	673.0	666.0

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Millions of US Dollars except per share data and as stated otherwise)

	Common Stock Shares	Common Stock Par Value	Additional paid-in capital	Shares subscribed but unissued	Deferred stock-based compensation	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
Balance as of March 31, 2006	**648,899,078**	**$17.6**	**$465.1**	**$ 0.4**	**$(0.4)**	**$497.1**	**$15.8**	**$ (1.2)**	**$ 994.4**
Net income	—	—	—	—	—	298.4	—	—	298.4
Other comprehensive income/ (loss)									
Gain on foreign currency translation	—	—	—	—	—	—	46.3	—	46.3
Adjustments to initially adopt SFAS No. 158, net of tax	—	—	—	—	—	—	(1.2)	—	(1.2)
Total Comprehensive income									**343.5**
Issuance of common stock	18,296,931	0.7	64.1	(0.4)	—	—	—	—	64.4
Stock split (effected in the form of dividend)	—	17.7	—	—	—	(17.7)	—	—	—
Shares subscribed but unissued	—	—	—	1.8	—	—	—	—	1.8
Gain on dilution of interest in subsidiary company on its issuance of new shares, net of taxes (Refer note 4)	—	—	7.9	—	—	—	—	—	7.9
Reversal of Deferred stock based compensation on adoption of SFAS 123R	—	—	(0.4)	—	0.4	—	—	—	—
Stock-based compensation expense	—	—	15.7	—	—	—	—	—	15.7
Cash dividend paid at the rate of US$0.13 per share	—	—	—	—	—	(56.7)	—	—	(56.7)
Balance as of March 31, 2007	**667,196,009**	**$36.0**	**$552.4**	**$ 1.8**	**—**	**$721.1**	**$60.9**	**($1.2)**	**$1,371.0**

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Satyam Computer Services Limited
Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Millions of US Dollars except per share data and as stated otherwise)

	Common Stock Shares	Par Value	Additional paid-in capital	Shares subscribed but unissued	Retained earnings	Accumulated other comprehensive income/(loss)	Shares held by SC-Trust	Total Shareholders' Equity
Balance as of March 31, 2007	**667,196,009**	**$36.0**	**$552.4**	**$ 1.8**	**$721.1**	**$ 60.9**	**($1.2)**	**$1,371.0**
Net income	**—**	**—**	**—**	**—**	**93.1**	**—**	**—**	**93.1**
Other comprehensive income/(loss)								
Gain on foreign currency translation	—	—	—	—	—	85.7	—	85.7
Amortization of actuarial loss under SFAS No. 158, net of tax	—	—	—	—	—	0.3	—	0.3
Total Comprehensive income								**179.1**
Issuance of common stock	474,514	—*	1.8	(1.8)	—	—	—	—
Shares subscribed but unissued	—	—	—	1.1	—	—	—	1.1
Stock-based compensation expense	—	—	5.9	—	—	—	—	5.9
Balance as of June 30, 2007	**667,670,523**	**$36.0**	**$560.1**	**$ 1.1**	**$814.2**	**$146.9**	**($1.2)**	**$1,557.1**

The accompanying notes are an integral part of these consolidated financial statements.

* Par value of common stock issued US$23 thousand

Table of Contents

Satyam Computer Services Limited
Consolidated Statements of Cashflows
(Millions of US Dollars except per share data and as stated otherwise)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Cash Flows From Operating Activities			
Net income	$ 93.1	$ 75.5	$ 298.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangible assets	9.6	8.1	33.6
Stock-based compensation	5.9	3.6	15.7
Deferred income taxes	0.3	(2.8)	(6.7)
Loss on sale of premises and equipment	0.1	—	0.3
Equity in (earnings)/losses of associated companies, net of taxes	—	(0.2)	(0.8)
Changes in assets and liabilities:			
Accounts receivable, net and unbilled revenue on contracts	(27.8)	(17.1)	(127.7)
Prepaid expenses and other receivables, net	(32.6)	(8.1)	13.4
Other assets, net	(15.8)	(1.3)	(17.5)
Accounts payable	1.1	(2.2)	3.8
Accrued expenses and other current liabilities	16.4	13.3	38.4
Unearned and deferred revenue	2.4	3.0	7.6
Other liabilities non-current	(8.0)	—	3.0
Net cash provided by operating activities	**44.7**	**71.8**	**261.5**
Cash Flows From Investing Activities			
Proceeds from maturity of bank deposits	—	—	408.0
Investment in bank deposits	—	—	(745.6)
Purchase of premises and equipment	(21.6)	(13.9)	(81.5)
Proceeds from sale of premises and equipment	0.3	0.1	0.5
Payment for purchase of Citisoft Plc, net of cash acquired	(3.4)	(3.2)	(3.3)
Payment for purchase of Knowledge Dynamics Pte. Ltd., net of cash acquired	(0.8)	(0.8)	(0.8)
Net cash used in investing activities	**(25.5)**	**(17.8)**	**(422.7)**
Cash Flows From Financing Activities			
Proceeds from short-term debt	11.1	0.5	10.9
Repayments of short-term debt	(3.9)	—	(4.7)
Proceeds from long-term debt	—	3.0	4.3
Repayment of long-term debt	(1.3)	(0.5)	(3.9)
Issuance of common stock	—	10.2	64.4
Shares subscribed but unissued	1.1	0.2	1.8
Cash dividends paid	—	—	(56.7)
Net cash provided by financing activities	**7.0**	**13.4**	**16.1**
Effect of exchange rate changes on cash and cash equivalents	9.1	(7.5)	4.5
Net change in cash and cash equivalents	**35.3**	**59.9**	**(140.6)**
Cash and cash equivalents at the beginning of the period	152.2	292.8	292.8
Cash and cash equivalents at the end of the period	**$ 187.5**	**$ 352.7**	**$ 152.2**
Supplementary information:			
Cash paid during the period for:			
Income taxes	$ 11.5	$ 12.4	$ 32.8
Interest	0.8	0.6	2.6
Non-cash items:			
Capital leases and hire purchase	$ 1.6	$ 0.6	$ 2.3
Deferred consideration for purchase of Citisoft Plc	—	5.9	5.9

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

1. Description of Business

Satyam Computer Services Limited, its consolidated subsidiaries and associated companies (hereinafter referred to as "*Satyam*") are engaged in providing Information Technology ("IT") services and Business Process Outsourcing ("BPO") services. Satyam Computer Services Limited (hereinafter referred to as "*Satyam Computer Services*") is an IT services provider that uses global infrastructure to deliver value-added services to its customers, to address IT needs in specific industries and to facilitate electronic business, or eBusiness, initiatives. Satyam Computer Services was incorporated on June 24, 1987 in Hyderabad, Andhra Pradesh, India. Satyam Computer Services has offshore development centers located throughout India that enable it to provide high quality and cost-effective solutions to clients. It also has offsite centers located in the United States, United Kingdom, Japan, Australia, Singapore, Malaysia, Dubai, Germany, Canada, China, Hungary, Saudi Arabia and Brazil. Satyam offers a comprehensive range of IT services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. Satyam Computer Services has established a diversified base of corporate customers in a wide range of industries including insurance, banking and financial services, manufacturing, telecommunications, transportation and engineering services.

Nipuna Services Limited ("Nipuna") a majority owned subsidiary of Satyam Computer Services is engaged in providing BPO services covering HR, Finance & Accounting, Customer Care (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

2. Summary of Significant Accounting Policies

a) Principles of Consolidation and Basis of Presentation

The consolidated financial statements of Satyam Computer Services and its majority owned domestic and foreign subsidiaries are prepared in accordance with generally accepted accounting principles applicable in the United States ("U.S. GAAP"). All significant inter-company balances and transactions are eliminated.

Minority interest in subsidiaries represents the minority shareholders' proportionate share of the net assets and the results of operations of Satyam's majority owned subsidiaries.

Satyam's investments in business entities in which it does not have control, but have the ability to exercise significant influence over operating and financial policies (generally 20-50 percent ownership), are referred to as associated companies and are accounted for by the equity method.

On occasion, a subsidiary or associated company accounted for by the equity method ("offering company") may issue its shares to third parties as either a public offering or private placement at per share amounts in excess of or less than Satyam's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in interest are recorded in additional paid-in capital. Gains or losses arising on the direct sales by Satyam of its investment in its subsidiaries or associated companies to third parties are recognized as income/(loss) in the statement of income. Such gains or losses are the difference between the sale proceeds and net carrying value of investments.

The excess of the cost over the underlying net equity of investments in subsidiaries and associated companies accounted for on equity basis is allocated to identifiable assets based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill.

b) Interim Information (unaudited)

Interim information presented in the consolidated financial statements has been prepared by the management without audit and in the opinion of management, includes all adjustments of a normal recurring nature that are necessary for the fair presentation of the balance sheets, statements of operations, statements of shareholders' equity and comprehensive income, and statements of cash flows for the periods shown in accordance with U.S. GAAP

c) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reported period. Examples of such estimates include: estimates of expected contract costs to be incurred to complete software development, allowance for doubtful debts, and future obligations under employee benefit plans, valuation allowances for deferred taxes, impairment of goodwill and useful lives of premises and equipment (fixed assets). Actual results could differ materially from those estimates.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

d) Foreign Currency Translation

The accompanying consolidated financial statements are reported in U.S. dollars. The Indian rupee is the functional currency for Satyam Computer Services, its domestic subsidiaries and associated companies. However, the U.S. Dollar, Pound Sterling, Singapore Dollar and Renminbi are the functional currencies for its foreign subsidiaries located in U.S., UK, Singapore and China respectively. The translation of the functional currencies into U.S. dollars is performed for assets and liabilities using the current exchange rates in effect at the balance sheet date and for revenues, costs and expenses using average exchange rates prevailing during the reporting periods. Adjustments resulting from the translation of functional currency financial statements to reporting currency are accumulated and reported as other comprehensive income/(loss), a separate component of shareholders' equity.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency at the exchange rates in effect at the balance sheet date. Revenues, costs and expenses are recorded using exchange rates prevailing on the date of transaction. Gains or losses resulting from foreign currency transactions are included in the statement of income.

e) Revenue Recognition

Revenues from IT services, which includes software development, system maintenance, package software implementation, engineering design services and e-Business consist of revenues earned from services performed either on a time-and-material basis or time bound fixed price engagements.

Revenues earned from services performed on a time-and-material basis are recognized as the services are performed. IT services performed on time bound fixed-price engagements; require accurate estimation of the costs which include salaries and related expenses of technical associates, related communication expenses, travel costs, scope and duration of each engagement. Revenue and the related costs for these projects are recognized on percentage of completion basis, with revisions to estimates reflected in the period in which changes become known. The use of the percentage of completion method reflects the pattern in which the obligations to the customer are fulfilled. Satyam has used an input-based approach since the input measures are a reasonable surrogate for output measures. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Revenues from BPO services consist of revenues from time-and-material services or time bound fixed price engagements. Revenues from time-and-material services are recognized as the services are performed. Revenues from BPO services are also on time bound fixed-price engagements, under which revenue is recognized using the percentage completion method of accounting. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable and can be reasonably estimated.

Amounts included in the financial statements, which relate to recoverable costs and accrued profits not yet billed on contracts, are classified in current assets as "Unbilled revenue on contracts". Billings on uncompleted contracts in excess of accrued cost and accrued profit are classified in current liabilities under the heading "Unearned and deferred revenue". Satyam provides its clients with one to three months' warranty as post-sale support for its fixed price engagements. Satyam has not provided for any warranty costs for the three months ended June 30, 2007 and 2006 (unaudited) and for the year ended March 31, 2007 as historically Satyam has not incurred any expenditure on account of warranties and since the customer is required to formally sign off on the work performed, any subsequent work is usually covered by an additional contract.

In accordance with Emerging Issues Task Force (EITF) 01-14 (formerly Topic D-103), "Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred", Satyam has accounted for reimbursements received for out-of-pocket expenses incurred as revenues in the statement of income.

f) Cash and Cash Equivalents

Satyam considers all highly liquid investments with an original maturity or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates their fair value due to the short maturity of the investments. Cash and claims to cash that are restricted as to withdrawal or use in the ordinary course of business are classified as other receivables under current assets, unless they are to be utilized for other than current operations in which case they are classified as other assets, non-current.

g) Premises, Equipment and Depreciation

Premises and equipment are stated at actual cost less accumulated depreciation. Assets under capital leases are stated at the present value of minimum lease payments. Depreciation is computed using the straight-line method over the estimated useful lives. Assets under capital leases and leasehold improvements are amortized straight-line

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

over their estimated useful life or the lease term, as appropriate. Costs of application software for internal use are generally charged to income as incurred due to its estimated useful lives being relatively short, usually less than one year.

The cost and the accumulated depreciation for premises and equipment sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the statement of income. Interest related to the construction of qualifying assets is capitalized. Advances paid towards the acquisition of premises and equipment outstanding at each balance sheet date and the cost of premises and equipment not put to use before such date are disclosed as Assets under Construction.

h) Research and development Costs

Research and development costs are expensed as incurred and amounted to US$0.1 million and US$0.1 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$0.4 million for the year ended March 31, 2007.

i) Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. Effective April 1, 2002, Satyam adopted provisions of SFAS No. 142, “Goodwill and Other Intangible Assets” which sets forth the accounting for goodwill and intangible assets subsequent to their acquisition. Goodwill is tested annually for impairment, or sooner when circumstances indicate an impairment may exist, using a fair-value approach at the reporting unit level. Satyam follows the two-step impairment recognition and measurement guidance in accordance with SFAS 142.

Satyam amortizes other intangible assets over their estimated useful lives on a straight-line basis unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows, and, if impaired, written down to fair value based on either discounted cash flows or appraised values.

j) Impairment of Long-lived Assets

Satyam accounts for impairment of long-lived assets in accordance with the provisions of SFAS 144 "*Accounting for the Impairment or Disposal of Long-Lived Assets*". Satyam reviews long-lived assets, for impairment whenever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. Each impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset to its recorded value. If impairment is indicated, the asset is written down to its fair value. Assets to be disposed are reported at the lower of the carrying value or the fair value less cost to sell.

k) Investments

Satyam accounts for investments in accordance with the provisions of SFAS 115, *“Accounting for Certain Investments in Debt and Equity Securities"*. Other investments that are not marketable are carried at cost, subject to tests of other than temporary impairment.

l) Cost of Revenues and Selling, General and Administrative Expenses

Cost of revenues primarily include the compensation cost of technical staff, depreciation on dedicated assets and system and application software costs, amortization of intangibles, travel costs, data communication expenses and other expenses incurred that are related to the generation of revenue.

Selling, general and administrative expenses generally include the compensation costs of sales, management and administrative personnel, travel costs, advertising, business promotion, depreciation on assets, rent, repairs, electricity and other general expenses not attributable to cost of revenues.

m) Advertising Costs

Satyam expenses all advertising costs as incurred. Advertising costs charged to income amounted to US$0.3 million and US$0.3 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$1.0 million for the years ended March 31, 2007.

n) Employee Benefits

i) Provident Fund

In accordance with Indian law, employees are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees’ basic salary. Satyam has no further obligations under the plan beyond its monthly contributions. These contributions are made to the fund administered and managed by the Government of India. Satyam’s monthly contributions are charged to income in the period they are incurred.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

ii) Gratuity Plan

Satyam has a defined benefit retirement plan (the "Gratuity Plan") covering all its employees in India. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and years of employment with Satyam.

Satyam provides for the Gratuity Plan on the basis of actuarial valuation. The entire Gratuity Plan of Satyam Computer Services and Nipuna is unfunded.

Effective March 31, 2007, Satyam adopted the provisions of SFAS No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)". The provisions of SFAS No. 158 were adopted pursuant to the transition provisions therein. Accordingly, Satyam has recognized unrecognized actuarial losses as a liability with corresponding adjustment to accumulated other comprehensive income (net of tax), a separate component of shareholders' equity.

The funded status of the company's retirement-related benefit plans is recognized in the Consolidated Balance Sheet. The funded status is measured as the difference between the fair value of plan assets and the projected benefit obligation at March 31, the measurement date. The current portion of the benefit obligation represents the actuarial present value of benefits payable in the next 12 months exceeding the fair value of plan assets. This liability is recorded in Accrued Expenses and Other Current Liabilities in the Consolidated Balance Sheet.

(Gains)/losses not recognized as a component of net periodic gratuity cost/(income) in the Consolidated Statement of Income as they arise are recognized as a component of other comprehensive income in the Consolidated Statement of Stockholders' Equity, net of tax. Those (gains)/losses are subsequently recognized as a component of net periodic gratuity period cost/(income) pursuant to the recognition and amortization provisions of applicable accounting standards. (Gains)/losses arise as a result of differences between actual experience and assumptions or as a result of changes in actuarial assumptions. Net periodic gratuity cost/(income) is recorded in the Consolidated Statement of Income and includes service cost, interest cost, expected return on plan assets, amortization of prior service cost and (gains)/losses previously recognized as a component of Other Comprehensive Income.

iii) Superannuation Plan

In addition to the above benefits, the senior employees of Satyam Computer Services in India are entitled to receive benefits under the Superannuation Plan, a defined contribution plan. Satyam Computer Services makes yearly contributions under the Superannuation plan administered and managed by LIC, based on a specified percentage (presently 10.0%) of each covered employee's basic salary. Satyam Computer Services has no further obligations under the plan beyond its contributions.

iv) Other Benefit Plans

Satyam maintains a 401(k) retirement plan (the "401(k) Plan") covering all its employees in the United States. Each participant in the 401 (k) Plan may elect to contribute up to 15.0% of his or her annual compensation to the 401(k) Plan. Satyam matches 50.0% of employee contributions, subject to a maximum of 3.0% of gross salary for all employees participating in the 401(k) plan. Effective October 1, 2003, Satyam Computer Services has discontinued its matching contribution under this plan.

o) Income Taxes

In accordance wit h the provisions of SFAS 109, *"Accounting for Income Taxes"*, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of enactment. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

Effective April 1, 2007, Satyam adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109 ("FIN 48"). The Interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

p) Earnings Per Share

In accordance with the provisions of SFAS 128, *"Earnings Per Share"*, basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the "treasury stock" method for options and warrants, except where the results will be anti-dilutive.

q) Stock-Based Compensation

Effective April 1, 2006, Satyam adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). Prior to the adoption of SFAS 123R, Satyam recognized stock-based compensation using the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, *"Accounting for Stock Issued to Employees"*, and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25,* issued in March 2000 to account for its employee stock-based compensation plan. Satyam has therefore adopted the pro-forma disclosure requirements of SFAS No. 123, *"Accounting for Stock-Based Compensation"* and SFAS 148, *Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123*. Pursuant to SFAS No. 123, all equity instruments issued to non-employees are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. In March 2005, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin No.107 ("SAB 107") regarding the SEC's interpretation of SFAS 123R and the valuation of share-based payments for public companies. Satyam has applied the provisions of SAB 107 in its adoption of SFAS 123R.

Satyam adopted SFAS 123R using the modified prospective transition method, which required the application of the accounting standard as of April 1, 2006, the first day of Satyam's fiscal year 2007. Under this transition method, stock-based compensation expensed for the year ended March 31, 2007 includes a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123") and b) Stock-based compensation expenses for all stock-based compensation awards granted after April 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

r) Derivative financial instruments

Satyam has adopted the provisions of SFAS 133, "*Accounting for Derivative Instruments and Hedging Activities*" as amended. Satyam enters into foreign exchange forward and options contracts where the counter party is generally a bank. Satyam purchases foreign exchange forward and options contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in certain foreign currencies. These contracts do not qualify for hedge accounting under SFAS 133, as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS 133, as amended is marked to market and recognized in earnings immediately.

s) Recently issued accounting pronouncements

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109 ("FIN 48"). The Interpretation clarifies the accounting for uncertainty in income taxes recognized in a Company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, which is April 1, 2007 for us. The differences, if any between the amounts recognized in the statements of financial position prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. The adoption did not have a material impact on our financial position, cash flows, or results of operations.

In September 2006, the FASB issued SFAS 157, Fair Value Measurements, which establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commencing April 1, 2008 for us. We are in the process of evaluating the impact SFAS 157 will have on our financial position, results of operations, liquidity and its related disclosures.

In February 2007, the FASB issued FASB Statement 159, The Fair Value Option for Financial Assets and Financial Liabilities (“SFAS 159”). SFAS 159 allows the company to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007, which is fiscal year commencing April 1, 2008 for us. We are in the process of evaluating the impact SFAS 159 will have on our financial position, results of operations, liquidity and its related disclosures.

t) Reclassifications

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current period’s presentation.

3. Acquisitions

a) Citisoft Plc.

On May 12, 2005, Satyam Computer Services acquired a 75% interest in Citisoft Plc or Citisoft, a specialist business and systems consulting firm located in the United Kingdom that has focused on the investment management industry since 1986. The results of Citisoft’s operations have been consolidated by Satyam Computer Services from the consummation date of May 12, 2005. The acquisition has been accounted for by following the purchase method of accounting.

The consideration for the 75% equity interest in Citisoft amounted to US$17.4 million comprising of an initial consideration of US$14.3 million (including direct acquisition costs of US$0.9 million) and deferred consideration (non-contingent) of US$3.1 million. Deferred consideration for the acquisition of the 75% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2006 this has been paid subsequently in June 2006. Satyam Computer Services was also required to pay a maximum earn out consideration amounting to US$3.9 million in May 2007 based on achievement of targeted revenues and profits for the year ended April 30, 2007. Since the revenue and profit targets have not been achieved, the earn out consideration is not payable.

Satyam Computer Services had a call option and the minority shareholders had a put option to acquire / sell the balance 25% equity shares in two tranches 12.5% on April 30, 2007 and 12.5% on April 30, 2008. The consideration payable for the first tranche of 12.5% equity shares on April 30, 2007 would amount to US$2.8 million and a maximum earn-out consideration amounting to US$2.7 million based on achievement of targeted revenues and profits. The consideration payable for the second tranche of 12.5% equity shares on April 30, 2008 would amount to US$2.9 million and a maximum earn-out consideration amounting to US$4.2 million based on achievement of targeted revenues and profits. Satyam Computer Services recorded the put option at fair value at each balance sheet date, with the initial fair value of the put option included as part of the consideration for its 75.0% interest in Citisoft. The difference between the fair values at each valuation date was charged to selling, general and administration expenses in statement of income. On the basis of an independent valuation, the value of put option was US$ Nil and US$1.1 million as of May 12, 2005 and March 31, 2006 respectively.

On June 29, 2006, Satyam Computer Services exercised the call option and acquired the remaining 25% equity interest for a deferred consideration of US$3.2 million and US$ 3.3 million payable on April 30, 2007 and 2008 respectively and a maximum earn-out consideration of US$2.7 million and US$4.2 million payable in May 2007 and 2008 respectively based on achievement of targeted revenues and profits for the years ended April 30, 2007 and 2008 respectively. As a result Satyam reversed the put option liability during the year ended March 31, 2007. The acquisition was accounted for as a step purchase of the 25% equity interest, the deferred consideration for the acquisition of the 25% equity interest was accounted for as part of the purchase consideration and disclosed as a current liability in the consolidated balance sheet as of March 31, 2007. The deferred consideration of US$3.2 million payable on April 30, 2007 has been paid during the three months ended June 30, 2007. Since the revenue and profit targets have not been achieved, the 2007 earn out consideration is not payable.

Satyam Computer Services is also required to fund an Employee Benefit Trust (“EBT”) formed by Citisoft for the purpose of providing additional incentive to employees to contribute to the success of Citisoft. Satyam was required to fund a maximum of US$3.4 million and US$1.8 million on April 30, 2007 and 2008 respectively, based on achievement of targeted revenues and profits. Satyam Computer Services paid an amount of US$2.0 million towards EBT contribution in April 2007.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

On June 29, 2007, Satyam Computer Services entered into an amendment agreement with the selling shareholders. As per the amendment agreement, Satyam Computer Services is required to pay in July 2007, US$3.5 million to the selling shareholders in lieu of the 2008 deferred and earn out consideration and US$ 0.2 million towards EBT contribution in lieu of the 2008 EBT contribution. Satyam had accounted for the deferred consideration of US$3.3 million as part of purchase consideration and disclosed it as a current liability. Satyam has now accounted for US$0.4 million in the consolidated statement of income for the three months ended June 30, 2007 as part of cost of revenues and disclosed it as a current liability as of June 30, 2007.

The purchase consideration for acquisition of interest has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

US$ in millions

	Acquisition of 75% interest	Acquisition of 25% interest
Purchase price	**$ 17.4**	**$ 5.9**
Allocated to:		
Net current assets	$ 2.2	0.7
Tangible assets	0.3	0.1
Customer Contracts related intangibles	0.8	0.3
Customer relationship related intangibles	5.4	0.7
Trade name	0.7	0.1
Goodwill	10.3	4.4
Deferred tax liability	(2.3)	(0.4)
Total	**$ 17.4**	**$ 5.9**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

b) Knowledge Dynamics Pte Ltd ("Knowledge Dynamics").

On July 21 2005, Satyam Computer Services announced its intention to acquire 100% of the shares of Knowledge Dynamics Pte Ltd, Singapore, ("Knowledge Dynamics"), a leading Data Warehousing and Business Intelligence Solutions provider. The transaction was consummated on October 1, 2005, the date of transfer of shares to Satyam Computer Services and Satyam Computer Services has consolidated Knowledge Dynamics Pte Ltd, Singapore, from October 1, 2005. The acquisition has been accounted for by following the purchase method of accounting. The consideration for this acquisition amounted to US$3.3 million comprising of initial consideration of US$1.8 million (including direct acquisition costs of $11 thousand) and deferred consideration (non-contingent) of US$1.5 million. The total deferred consideration for the acquisition of US$1.5 million has been accounted for as part of the purchase consideration out of which US$0.8 million has been paid during the year ended March 31, 2007 and US$0.7 million has been disclosed as a current liability in the consolidated balance sheet as of March 31, 2007 and has been subsequently paid in April 2007. Satyam Computer Services was also required to pay a maximum earn out consideration amounting to US$1.1 million and US$1.1 million on April 30, 2007 and 2008 respectively based on the achievement of targeted revenues and profits from the date of acquisition upto April 30, 2007 and 2008 respectively. The earn-out consideration will be accounted for as purchase consideration when the contingency is resolved. Since the revenue and profit targets have not been achieved, the 2007 earn out consideration is not payable. During the three months ended June 30, 2007, Satyam Computer Services paid an amount of US$0.8 million towards deferred consideration payable in April 2007.

The purchase consideration has been allocated to the assets acquired and liabilities assumed as of the date of acquisition based on management's estimates and a valuation done by an independent valuer in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations. The goodwill has been allocated to the IT services segment. The purchase price allocation is as follows:

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

		US$ in millions
Purchase price	$	3.3
Allocated to:		
Net current assets	$	0.5
Customer Contracts and Related Relationships		1.0
Trade name		0.1
Goodwill		2.1
Deferred tax liability		(0.4)
Total	$	**3.3**

Pro forma disclosure regarding this acquisition has not been provided because it is not material to the operations of the Company.

4. Preferred Stock of Subsidiary

Nipuna issued 45,669,999 and 45,340,000 0.05% convertible redeemable cumulative preference shares of par value Rs 10 (US$0.23) per share in October 2003 and June 2004 respectively to the investors at an issue price of Rs.10 (US$0.23) per share, in exchange for an aggregate consideration of US$20 million.

As per the agreement, these preference shares were mandatorily convertible into equity shares of Nipuna no later than June 2006, if Nipuna achieved certain targets for revenues and profits earned up to March 31, 2006. If these targeted revenues and profits were not achieved by Nipuna along with other triggering events, the investors had an option to either redeem these preference shares or convert them. Although certain triggering events for early redemption as per the agreement occurred during the period January 2004 to December 2004 the investors waived the right of early redemption. Further Nipuna has not achieved the targeted revenues and profits upto March 2006.

If not converted, early converted or redeemed, these convertible preference shares were redeemable on maturity in June 2007 at a redemption premium, which could range between 7.5% to 13.5% p.a. The Investors are entitled to receive dividends at the rate of 0.05% per cent per annum, on the face value of Rs. 10 (US$0.23) from the date of issuance of such Preference Shares. The dividends are cumulative and payable in cash at the rate indicated above, whether or not they have been declared and whether or not there are profits, surplus or other funds of Nipuna legally available for the payment of dividends. These preference shares rank senior to all classes of Nipuna's currently existing capital stock or established subsequently with respect to dividend distributions and repayment of capital and premium upon a Bankruptcy Event or Change in Control with respect to Nipuna, unless the terms and conditions of such class expressly provide that such class will rank senior to or on parity with the convertible redeemable cumulative preference shares. The dividend on the preference shares for the period ended June 30, 2007 is payable.

On November 20, 2006, a Share Purchase, Redemption and Amendment Agreement ("SPRA Agreement") was entered into between Satyam, the Investors and Nipuna. Out of the total preference shares, 50% of the preference shares (US$ 10 million) would be redeemed for US$ 13.6 million at the target date on May 21, 2007 and the balance 50% would get converted into equity shares of Nipuna based on the terms of the existing subscription agreement. Since 50% of the Preference Shares are mandatorily redeemable, Satyam has reclassified 50% of the preference shares as a current liability measured at fair value and accrued redemption premium amounting to US$3.6 million up to March 31, 2007.

Further as per the SPRA Agreement, Satyam agrees to purchase and the Investors agree to sell these equity shares at an aggregate purchase price based on a formula. If the share purchase closing occurs on or before the share purchase target date (May 21, 2007) then the purchase price would range from a minimum of US$ 35 million to maximum of US$ 45 million, however if an acceleration event occurs the purchase price would equal US$45 million. If the share purchase closing occurs after the share purchase target date then the purchase price shall not be less than US$ 35 million however if an acceleration event occurs the purchase price shall not be less than US$45 million. This is subject to fulfillment of terms and conditions specified in the agreement and obtaining necessary approvals from appropriate authorities. As of March 31, 2007 an acceleration event has occurred.

The forward contract is freestanding and has been accounted for under SFAS 150 and hence the issuance of Nipuna's equity shares has been considered as a minority interest. The Investors gave Nipuna a Notice of Conversion of Preference Shares and in January 2007 preference shares amounting to US$10 million have been converted into 6,422,267 equity shares of Nipuna. Due to the issue of shares by Nipuna Satyam Computer Services' ownership interest in Nipuna was reduced from 100.0% as at March 31, 2006 to 74.0% as at March 31, 2007. The shares issued to the Investors are at amounts per share higher than Satyam Computer Services' average cost per share. With respect to this transaction, the resulting gain of US$7.9 million, net of taxes during the year

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

ended March 31, 2007 has been recorded as an increase in additional paid in capital. Since the losses applicable to the minority interest in Nipuna exceeded the minority interest in the equity capital of Nipuna, such excess and further losses have been charged in Satyam's consolidated statement of income. The Investors holding in Nipuna has been accounted for as a minority interest.

The forward contract has a zero fair vale at inception and at balance sheet date since as per regulatory requirements the transaction can take place only at fair value. Upon settlement of the forward the acquisition of the minority interest would be reflected as a step acquisition with a corresponding reduction in minority interest. As of June 30, 2007, the share purchase closing has not taken place.

5. Investments

Investments of Satyam consist of other non-marketable securities.

(US$ in millions)

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
Other investments, at cost	**$ 3.9**	**$ 3.6**	**$ 3.7**
Less: Provision for impairment	(3.9)	(3.6)	(3.7)
Investments — Non current	—	—	—

Satyam records an investment impairment charge on other non-marketable investments, which are carried at cost, when management believes an investment has experienced a decline in value that is judged to be other than temporary. Satyam monitors its investments for impairment by considering current factors including economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the investment. Based on its assessment of its carrying values of investments, Satyam impaired the entire carrying value of other non-marketable investments as of March 31, 2003 due to adverse changes in the above factors.

6. Investments in bank deposits

Investments in bank deposits represent term deposits placed with banks earning fixed rate of interest. Investments in bank deposits with maturities of less than a year are disclosed as current assets and with maturities of more than one year as non current. Interest on investments in bank deposits is recognized on accrual basis. Investments in bank deposits amounted to US$815.3 million, US$391.4 million and US$767.6 million as of June 30, 2007, 2006 (unaudited) and March 31, 2007 respectively with maturities of more than one year (as of June 30, 2007).

7. Investments in associated companies

The carrying values of investments in various associated companies of Satyam are as follows:

(US$ in millions)

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
Satyam Venture	$ 3.5	$ 3.0	$ 3.5
CA Satyam	1.1	0.8	1.1
Total	**$ 4.6**	**$ 3.8**	**$ 4.6**

Satyam Venture

On October 28, 1999, Satyam Computer Services entered into an agreement with Venture Industries, USA ("Venture") to form an equally held joint venture company Satyam Venture Engineering Services Private Limited. ("Satyam Venture"). Satyam Computer Services holds 50% in Satyam Venture. The joint venture was formed on January 3, 2000 at Hyderabad, India. Satyam Venture is engaged in providing engineering solutions, software development and customization services specifically for the automotive industries worldwide. Satyam Computer Services' equity in the profit of Satyam Venture, net of taxes amounted to US$20 thousand and US$0.2 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$0.6 million for the year ended March 31, 2007. (Also refer note 19(f)).

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

CA Satyam

On December 29, 2000, Satyam Computer Services entered into an agreement with Computer Associates International, Inc. ("CA") to form an equally held joint venture company CA Satyam ASP Private Limited ("CA Satyam"). Satyam Computer Services holds 50% in CA Satyam. The joint venture was formed in January 2001, at Mumbai, India. As per the agreement, both Satyam Computer Services and CA have invested US$1.5 million each in the joint venture. Satyam Computer Services equity in the profit / (losses) of CA Satyam, net of taxes amounted to US$(22) thousand and US$11 thousand for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$0.2 million for the year ended March 31, 2007.

8. Premises, Equipment and Depreciation

Premises and equipment at cost less accumulated depreciation consist of:

(US$ in millions)

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
Freehold land	$ 9.4	$ 8.3	$ 8.9
Leasehold land	2.2	1.8	1.9
Premises	29.9	22.9	24.5
Computers including servers	145.6	107.7	131.2
System software	27.3	21.0	24.7
Office equipment	79.8	61.0	69.0
Furniture and fixtures	55.5	39.9	47.4
Vehicles	10.5	7.2	9.0
Assets under construction	73.7	26.9	70.8
Total	**433.9**	**296.7**	**387.4**
Less: Accumulated depreciation	(247.1)	(187.0)	(224.3)
Premises and equipment, net	**186.8**	**$ 109.7**	**$ 163.1**

Satyam has established the estimated useful lives of assets for depreciation purposes as follows:

Premises	28 years
Computers including servers	2-5 years
System Software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

Depreciation expense amounted to US$9.3 million and US$7.9 million for the three months ended June 30, 2007 and 2006 respectively and US$32.4 million for the year ended March 31, 2007.

9. Goodwill

Goodwill consists of:

(US$ in millions)

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
Goodwill			
Acquisition of Citisoft Plc	$ 15.5	$ 14.0	$ 15.0
Acquisition of Knowledge Dynamics Pte Ltd	2.2	2.0	2.1
Acquisition of minority interest in			
Satyam Enterprise Solutions Limited	25.3	22.4	23.9
Satyam Technologies Inc.	3.9	3.4	3.7
Total	**46.9**	**41.8**	**44.7**
Less: Accumulated amortization	(12.6)	(11.2)	(12.0)
Goodwill, net	**$ 34.3**	**$ 30.6**	**$ 32.7**

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

The following table presents the reconciliation of changes in carrying values of goodwill:

(US$ in millions)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Goodwill at the beginning of the period	**$ 32.7**	**$ 27.6**	**$ 27.6**
Acquisitions during the period	—	3.9	4.4
Impairment during the period	—	—	—
Change due to foreign exchange	1.6	(0.9)	0.7
Goodwill at the end of the period	**$ 34.3**	**$ 30.6**	**$ 32.7**

Goodwill represents the excess of amount paid towards purchase price over the fair value of assets acquired, and relates to the acquisition of the minority interest in Satyam Enterprise Solutions Limited and Satyam Technologies Inc., and acquisition of Citisoft Plc. and Knowledge Dynamics Pte Ltd., by Satyam Computer Services. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may not be recoverable as provided under FAS 142.

10. Intangible assets, net

Intangible assets consist of:

(US$ in millions)

		As of June 30,						As of March 31,		
		2007 (unaudited)			2006 (unaudited)			2007		
Acquired and amortized intangible assets	**Weighted average life (in years)**	**Gross carrying amount**	**Accumulated amortization**	**Net intangible assets**	**Gross carrying amount**	**Accumulated amortization**	**Net intangible assets**	**Gross carrying amount**	**Accumulated amortization**	**Net intangible assets**
Citisoft Plc										
Customer Relationship	8	$6.3	$(1.5)	$4.8	$6.7	$(0.7)	$6.0	$6.3	(1.4)	$4.9
Customer Contracts	6	1.2	(0.3)	0.9	1.0	(0.2)	0.8	1.1	(0.2)	0.9
Trade name	5	0.8	(0.3)	0.5	0.8	(0.1)	0.7	0.8	(0.2)	0.6
Total		**$8.3**	**$(2.1)**	**$6.2**	**$8.5**	**$(1.0)**	$7.5	**$8.2**	(1.8)	**$6.4**
Knowledge Dynamics										
Customer Contracts and Related Relationships	9	$1.1	$(0.3)	$0.8	$1.0	$(0.1)	$0.9	$1.1	$(0.3)	$0.8
Non-Compete agreements	5	0.1	—	0.1	0.1	—	0.1	—	—	—
Trade name	3	—	—	—	—	—	—	0.1	—	0.1
Internally developed technology	3	0.1	—	0.1	0.1	—	0.1	0.1	—	0.1
Total		**$1.3**	**$(0.3)**	**$1.0**	**$1.2**	**$(0.1)**	**$1.1**	**$1.3**	**$(0.3)**	**$1.0**

During the year Satyam has not recognized any impairment of other intangible assets. Satyam has adopted the provisions of SFAS No. 141 and 142, and has accordingly assessed the remaining useful lives of identified intangibles with definite useful lives and provides for amortization over the determined useful life of the asset. Satyam does not have any intangible assets with indefinite useful life.

The following table presents the reconciliation of changes in carrying values of other intangible assets:

(US$ in millions)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Identifiable intangibles at the beginning of the period	**$ 7.4**	**$ 6.6**	**$ 6.6**
Acquisitions during the period	—	1.8	1.1
Amortization during the period	(0.3)	(0.2)	(1.2)
Change due to foreign exchange	0.1	0.4	0.9
Identifiable intangibles at the end of the period	**$ 7.2**	**$ 8.6**	**$ 7.4**

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

The expected future annual amortization expense of other intangible assets is as follows:

	US$ in millions
Estimated amortization expense:	
For the year ended March 31,	
2008	$ 1.4
2009	1.3
2010	1.2
2011	1.1
2012	1.0
Beyond 2012	1.4

11. Income Taxes

The income tax expense consists of:

(US$ in millions)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Foreign taxes			
Current	$ 1.3	$ 7.4	$ 10.4
Deferred	(0.2)	—	(0.7)
Domestic taxes			
Current	10.2	2.7	26.9
Deferred	0.5	(2.8)	(6.0)
Aggregate taxes	**$ 11.8**	**$ 7.3**	**$ 30.6**

A reconciliation of the income tax expense to the amount computed by applying the statutory income tax rate to income before income tax expense is summarized below:

(US$ in millions)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Net income before taxes	**$ 104.9**	**$ 82.5**	**$ 328.2**
Enacted tax rates in India	33.99%	33.66%	33.66%
Computed tax expense	**$ 35.7**	**$ 27.8**	**$ 110.5**
Tax effect due to non-taxable export income	(27.1)	(25.8)	(98.4)
Difference arising from different tax rates in other tax jurisdictions	0.2	2.6	12.0
Stock-based compensation (nondeductible)	0.2	1.2	4.0
Changes in valuation allowance, including losses of subsidiaries	0.8	0.9	1.7
Effect of tax rate change	(0.1)	—	—
Others	2.1	0.6	0.8
Income taxes recognized in the statement of income	**$ 11.8**	**$ 7.3**	**$ 30.6**

The current provision for income taxes, net of payments, were US$18.3 million and US$5.9 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$15.5 million for the year ended March 31, 2007. The foreign taxes are due to income taxes payable in overseas tax jurisdictions by its offsite and onsite centers, principally in the United States. Satyam Computer Services benefits from tax incentive provided to software entities as an exemption from payment of Indian corporate income taxes for a period of ten consecutive years of operations of software development facilities designated as “Software Technology Parks” (“STP units”). The benefit of this tax incentive has historically resulted in an effective tax rate for Satyam Computer Services well below statutory rates. In case of Satyam Computer Services for various registered STP units these exemptions expire starting from fiscal 2006 through fiscal 2009. Satyam Computer Services subsidiaries are subject to income taxes of the countries in which they operate.

Satyam has not recognized deferred income taxes arising on income of Satyam Computer Services due to the tax benefit available to it in the form of a exemption from taxable income, except to the extent of timing differences which reverse after the tax holiday period or unless they reverse under foreign taxes. However, Satyam Computer

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Services earns certain other income and domestic income, which are taxable irrespective of the tax holiday as stated above.

Significant components of activities that gave rise to deferred tax assets and liabilities included in the financial statements are as follows:

			(US$ in millions)
	As of June 30,		As of March 31,
	2007 (unaudited)	2006 (unaudited)	2007
Deferred tax assets:			
Operating loss carry forwards	$ 28.2	$ 24.2	$ 26.6
Provision for accounts receivable, advances and investments	4.3	5.5	4.2
Premises and equipment	3.6	0.6	3.3
Provision for gratuity and unutilized leaves	14.3	9.0	12.8
Gross deferred tax assets	**$ 50.4**	**$ 39.3**	**46.9**
Less: Valuation allowance	(28.2)	(24.2)	(26.6)
Total deferred tax assets	**$ 22.2**	**$ 15.1**	**20.3**
Deferred tax liabilities:			
Premises and equipment	(7.8)	(6.3)	(6.3)
Provision for accounts receivable and advances	(3.2)	(2.7)	(3.0)
Intangible assets	(2.6)	(2.9)	(2.5)
Investments in associated companies and gain on dilution	(2.8)	(0.3)	(2.8)
Total deferred tax liabilities	**(16.4)**	**(12.2)**	**(14.6)**
Net deferred tax assets/ (liabilities)	**$ 5.8**	**$ 2.9**	**$ 5.7**

Satyam has not provided for any deferred income taxes on undistributed earnings of foreign subsidiaries due to the losses incurred by them since their inception. These losses aggregated to approximately US$40.3 million and US$38.1 million as of June 30, 2007 and 2006 (unaudited) respectively and US$39.8 million as of March 31, 2007.

Operating loss carry forwards for tax purposes of Satyam amounts to approximately US$28.2 million and US$24.2 million as of June 30, 2007 and 2006 (unaudited) respectively and US$26.6 million as of March 31, 2007 and are available as an offset against future taxable income of such entities. These carry forwards expire at various dates primarily over 8 to 20 years. Realization is dependent on such subsidiaries generating sufficient taxable income prior to expiration of the loss carry forwards. A valuation allowance is established attributable to deferred tax assets and loss carry forwards in subsidiaries where, based on available evidence, it is more likely than not that they will not be realized. Currently, a full valuation allowance has been made for such losses since we believe that our subsidiaries will not generate sufficient taxable income prior to expiration of carry forwards and under Indian regulations we are not allowed to file a consolidated tax return.

Net deferred tax asset/ (liabilities) included in the consolidated balance sheets are as follows:

			(US$ in millions)
	As of June 30,		As of March 31,
	2007 (unaudited)	2006 (unaudited)	2007
Current assets–deferred income taxes	$ 18.6	$ 14.5	$ 17.1
Non-current assets–other assets*	3.6	0.6	3.3
Current liabilities–accured expenses and other liabilities*	(3.3)	(2.7)	(3.1)
Long-term liabilities–deferred income taxes	(13.1)	(9.5)	(11.6)
Net deferred tax asset/ (liabilities)	$ 5.8	$ 2.9	$ 5.7

* *Included in "other assets" and "accrued expenses and other liabilities" respectively.*

12. Borrowings

Short-term debt

Short-term debt amounted to US$18.4 million and US$4.5 million as of June 30, 2007 and 2006 (unaudited) respectively and US$10.5 million as of March 31, 2007. Short-term debt represents overdraft facility of Nipuna at floating rate of interest of LIBOR+0.25% which is secured by a charge on book debts, accounts receivable and other moveable assets. The weighted-average interest rate on this borrowing was 7.24% and 4.70% for three months ended June 30, 2007 and 2006 (unaudited) respectively and 6.71 %for the year ended March 31, 2007.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Long-term debt

Long-term debt outstanding comprise of:

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
			(US$ in millions)
Secured debts, representing obligation principally to banks and financial institutions			
- 10.25% Rupee loans of SC-Trust, maturing serially through fiscal 2008	—	$ 1.3	—
- 0.95% above 6 month LIBOR working capital term loan maturing serially through fiscal 2009	$ 10.6	8.1	$ 10.0
- 0.95% above 6 month LIBOR external commercial borrowing maturing serially through fiscal 2009	10.5	10.5	10.6
Hire Purchase Loans	4.5	2.8	3.2
Total Debt	**25.6**	**22.7**	**23.8**
Less: Current portion of long-term debt	(2.0)	(2.5)	(1.6)
Long-term debt, net of current portion	**$ 23.6**	**$ 20.2**	**$ 22.2**

Rupee loans as of June 30, 2006 were secured by equity shares of Satyam Computer Services' held by the SC-Trust and had an interest rate of 10.25%. These rupee loans have been repaid during the year ended March 31, 2007.

Working capital term loan and external commercial borrowing have been taken by Nipuna. Satyam Computer Services has given a corporate guarantee to the bank for these borrowings. These borrowings are repayable in 3 years from each draw down date.

Aggregate maturities of long-term debt subsequent to June 30, 2007, are US$1.5 million in fiscal 2008, US$22.6 million in fiscal 2009, US$0.9 million in fiscal 2010 and US$0.6 million in fiscal 2011 and thereafter.

Unused lines of credit

Unused lines of credit comprise of:

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
			(US$ in millions)
Short-term debt	$ 2.4	$ 3.3	$ 9.0
Long-term debt	—	1.4	—
Non-fund facilities–Bank Guarantees	17.9	4.5	16.2
Total Unused lines of credit	**$ 20.3**	**$ 9.2**	**$ 25.2**

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

13. Employee Benefits

The Gratuity Plan

The following table sets forth the status of the Gratuity Plan of Satyam, and the amounts recognized in Satyam's consolidated balance sheets and statements of income.

(US$ in millions)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Year ended March 31, 2007
Accumulated benefit obligation	**$ 8.3**	**$ 6.3**	**$ 7.6**
Change in projected benefit obligation			
Projected benefit obligation at beginning of the period	$ 10.2	$ 7.8	$ 7.8
Service cost	0.7	0.5	2.1
Interest cost	0.2	0.1	0.6
Actuarial loss/(gain)	(0.3)	0.2	0.6
Benefits paid	(0.3)	(0.3)	(1.2)
Effect of exchange rate changes	0.6	(0.2)	0.3
Projected benefit obligation at end of the period	**11.1**	**8.1**	**10.2**
Change in plan assets			
Employer contribution	0.3	0.3	1.2
Benefits paid from plan assets	(0.3)	(0.3)	(1.2)
Fair value of plan assets at end of the period	—	—	—
Funded status of the plans	**(11.1)**	**(8.1)**	**(10.2)**
Unrecognized net actuarial loss	—	1.5	—
Accrued benefit cost	**$ (11.1)**	**$ (6.6)**	**$ (10.2)**

The components of net gratuity costs are reflected below:

	Three months ended June 30, 2007	Three months ended June 30, 2006	Year ended March 31, 2007
Service cost	$ 0.7	$ 0.5	$ 2.1
Interest cost	0.2	0.1	0.6
Amortization	0.1	—	0.1
Net gratuity costs	**1.0**	**$ 0.6**	**$ 2.8**

The assumptions used in accounting for the gratuity plan for the three months ended June 30, 2007 and 2006 (unaudited) and for the year ended March 31, 2007 are set out below:

Weighted-average assumptions used to determine benefit obligations:

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Discount rate	9.8%	8.0%	9.8%
Long-term rate of compensation increase	7.0%	7.0%	7.0%

Weighted-average assumptions used to determine net periodic benefit cost:

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Discount rate	9.8%	8.0%	9.8%
Long-term rate of compensation increase	7.0%	7.0%	7.0%

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Cash Flows

Satyam expects to contribute US$2.1 million to its Gratuity plan during the year ending March 31, 2008. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

For the financial year ended March 31,	Expected contribution *(US$ in millions)*
2009	$ 2.3
2010	2.9
2011	3.6
2012	4.6
2013 – 2016	$ 19.2

Effective March 31, 2007, Satyam adopted the provisions of SFAS No. 158. The following table presents the incremental effect of applying SFAS No. 158 on the Consolidated Statement of Financial Position:

	Before application of SFAS 158	Adjustments	After application of SFAS 158
Current assets — Deferred income taxes	$ 17.0	$ 0.1	$ 17.1
Non-current assets — Other assets	39.0	0.5	39.5
Total Assets	**1,623.5**	**0.6**	**1,624.1**
Current liabilities — Accrued expenses and other current liabilities	148.4	0.2	148.6
Long-term liabilities — Gratuity, excluding current portion	6.5	1.6	8.1
Total Liabilities	**251.3**	**1.8**	**253.1**
Accumulated other comprehensive income, net of tax	62.1	(1.2)	60.9
Total Shareholders' Equity	**$ 1,372.2**	**$ (1.2)**	**$ 1,371.0**

As at March 31, 2007, Satyam recorded unrecognized net gains/(losses) amounting to US$(1.2) million in the Stockholders' equity section as part of Accumulated Other Comprehensive Income, net of tax of US$0.6 million. During the period ended June 30, 2007, actuarial gains/(losses) of US$0.3 million was amortized from Accumulated Other Comprehensive Income, net of tax of US$0.1 million. Consequently, as at June 30, 2007, Satyam has unrecognized net gains/(losses) amounting to US$(1.1) million in the Stockholders' equity section as part of Accumulated Other Comprehensive Income, net of tax of US$0.5 million.

Provident Fund

Satyam's contribution towards the Provident Fund amounted to US$4.5 million and US$3.0 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$14.7 million for the year ended March 31, 2007.

Superannuation Plan

Satyam Computer Services' contribution towards the Superannuation Plan maintained by LIC amounted to US$0.6 million and US$0.4 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$1.9 million for the year ended March 31, 2007.

14. Earnings per Share

Basic earning per share is computed on the basis of the weighted average number of shares outstanding (weighted average number of shares issued less unallocated, unvested and unexercised shares held by the SC — Trust). Allocated but unvested or unexercised shares not included in the calculation of weighted-average shares outstanding for basic earnings per share were 146,200 and 101,600 as of June 30, 2007 and 2006 (unaudited) respectively and 146,200 as of March 31, 2007. Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding plus the effect of outstanding stock options using the "treasury stock" method.

In addition to the above, the unallocated shares held by SC — Trust, which are by definition unvested, have been excluded from all earnings per share calculations. Such shares amounted to 2,149,680 and 2,279,680 as of June 30, 2007 and 2006 (unaudited) respectively and 2,149,680 as of March 31, 2007.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

The components of basic and diluted earnings per share were as follows:

(US$ in millions except per share data and as stated otherwise)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Net income	**$ 93.1**	**$ 75.5**	**$ 298.4**
Equity Shares:			
Average outstanding shares (in millions)	665.1	649.0	652.5
Dilutive effect of Associate Stock Options (in millions)	14.4	24.0	13.5
Share and share equivalents (in millions)	**679.5**	**673.0**	**666.0**
Earnings per share			
Basic	$ 0.14	$ 0.12	$ 0.46
Diluted	$ 0.14	$ 0.11	$ 0.45

15. Stock-based Compensation Plans

ASOP plan

In May 1998, Satyam Computer Services established its Associate Stock Option Plan (the "ASOP plan"), which provided for the issue of 26,000,000 shares, as adjusted to eligible associates. Satyam Computer Services issued warrants to purchase these shares to a controlled associate welfare trust called the Satyam Associate Trust (the "SC-Trust"). In December 1999, the SC- Trust exercised all its warrants to purchase Satyam Computer Services shares prior to the stock split using the proceeds obtained from bank loans. The warrants vest immediately or vest over a period ranging from one to three years. Upon vesting, associates have 30 days in which to exercise these warrants. As of June 30, 2007, warrants (net of lapsed and cancelled) to purchase 23,829,720 equity shares have been granted to associates pursuant to ASOP since inception.

ASOP B plan

In April 2000, Satyam Computer Services established its Associate Stock Option Plan B (the "ASOP B") and reserved warrants for 83,454,280 shares to be issued to eligible associates with the intention to issue the warrants at the market price of the underlying equity shares on the date of the grant. These warrants vest over a period ranging from two to four years, starting with 20% in second year, 30% in the third year and 50% in the fourth year. Upon vesting, associates have 5 years to exercise these warrants. As of June 30, 2007, options (net of lapsed and cancelled) to purchase 54,162,104 equity shares have been granted to associates under this plan since inception.

ASOP ADS plan

In May 2000, Satyam Computer Services established its Associate Stock Option Plan (ADS) (the 'ASOP (ADS)') to be administered by the Administrator of the ASOP (ADS) which is a committee appointed by the Board of Directors of Satyam Computer Services and reserved 5,149,330 ADSs (10,298,660 shares) to be issued to eligible associates with the intention to issue the warrants at a price per option which is not less than 90% of the value of one ADS as reported on NYSE on the date of grant converted into Indian Rupees at the rate of exchange prevalent on the grant date. These warrants vest over a period of 1-10 years from the grant date. As of June 30, 2007, warrants (net of lapsed and cancelled) for 3,212,744 ADSs representing 6,425,488 equity shares have been granted to associates under the ASOP ADS since inception.

Associate Stock Option Plan — Restricted Stock Units (ASOP – RSUs)

In January 2007, Satyam Computer Services has established a scheme "Associate Stock Option Plan - Restricted Stock Units (ASOP – RSUs)" to be administered by the Administrator of the ASOP – RSUs, a committee appointed by the Board of Directors of the Company. Under the scheme 13 million equity shares are reserved to be issued to eligible associates at a price to be determined by the Administrator which shall not be less than the face value of the share. ASOP RSUs vest over a period of 1-4 years from the date of the grant. Upon vesting, associates have 5 years in which to exercise these warrants. As of June 30, 2007, warrants for 3,318,140 shares have been granted under the ASOP — RSUs.

Associate Stock Option Plan — RSUs (ADS) (ASOP – RSUs (ADS))

In January 2007, Satyam Computer Services has established a scheme "Associate Stock Option Plan - RSUs (ADS)" to be administered by the Administrator of the ASOP – RSUs (ADS), a committee appointed by the

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Board of Directors of the Company. Under the scheme 13 million equity shares minus the number of shares issued from time to time under the Associate Stock Option Plan — RSUs are reserved to be issued to eligible associates at a price to be determined by the Administrator not less than the face value of the share. These RSUs vest over a period of 1-4 years from the date of the grant. Upon vesting, associates have 5 years in which to exercise these warrants. As of June 30, 2007, warrants for 254,120 ADS representing 508,240 shares have been granted under the ASOP – RSUs (ADS).

Warrant grants

During the three months ended June 30, 2007, under the ASOP B plan, Satyam Computer Services issued warrants for Nil (net of 420,643 warrants cancelled) shares to the associates. During the same period, under the ASOP (ADS), Satyam Computer Services issued warrants for Nil ADS representing Nil shares, warrants for 3,056 ADS representing 6,112shares were cancelled. Further, during the three months ended June 30, 2007, under the ASOP — RSUs plan, Satyam Computer Services issued warrants for 25,000shares to the associates. During the same period, under the ASOP — RSUs (ADS) plan, Satyam Computer Services issued warrants for 17,500 ADS representing 35,000 shares to associates under the ASOP – RSUs (ADS) plan.

During the three months ended June 30, 2006 (unaudited), under the ASOP B plan, Satyam Computer Services issued warrants for Nil (net of 712,608 warrants cancelled) shares to the associates. During the same period, under the ASOP (ADS), Satyam Computer Services issued warrants for Nil ADS representing Nil (net of warrants for 13,196 ADS representing 26,392 shares cancelled) shares to associates under the ASOP (ADS) plan.

During the year ended March 31, 2007, the SC-Trust issued immediately vesting warrants for 39,000 shares and warrants for 91,000 (net of Nil warrants cancelled) shares with longer vesting periods to the associates under the ASOP plan. Further, during the year ended March 31, 2007, under the ASOP B plan, Satyam Computer Services issued warrants for Nil (net of 8,180,519 warrants cancelled) shares to the associates. During the same period, under the ASOP (ADS), Satyam Computer Services issued warrants for 20,000 ADS representing 40,000 shares (net of warrants for 126,142 ADS representing 252,284 shares cancelled) shares to associates under the ASOP (ADS) plan. Further, during the year ended March 31, 2007, under the ASOP — RSUs plan, Satyam Computer Services issued warrants for 3,293,140 shares to the associates. During the same period, under the ASOP — RSUs (ADS) plan, Satyam Computer Services issued warrants for 236,620 ADS representing 473,240 shares to associates under the ASOP – RSUs (ADS) plan.

Changes in number of equity shares representing stock options outstanding for each of the plans were as follows:

	Three months ended June 30,				Year ended March 31,	
	2007(unaudited)		2006 (unaudited)		2007	
ASOP Plan	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the Period	**146,200**	**$1.69**	**106,600**	**$1.42**	**106,600**	**$ 1.42**
Granted	—	—	—	—	130,000	$ 1.67
Exercised	—	—	(5,000)	$1.22	(90,400)	$ 1.39
Cancelled	—	—	—	—	—	—
Lapsed	—	—	—	—	—	—
Balance at the end of the Period	**146,200**	**$1.79**	**101,600**	**$1.38**	**146,200**	**$ 1.69**
Exercisable at the end of the period	—	—	—	—	—	—
Weighted average fair value of options granted during the period	—	—	—	—		$10.24

As of June 30, 2007 options vested and expected to vest are 146,200 with an aggregate grant date intrinsic value of US$ 0.51 million.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

	Three months ended June 30,				Year ended March 31,	
	2007 (unaudited)		2006 (unaudited)		2007	
ASOP B	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the Period	**19,976,210**	**$3.89**	**45,605,388**	**$3.74**	**45,605,388**	**$3.74**
Granted	—	—	—	—	—	—
Exercised	(438,390)	4.13	(3,552,096)	3.39	(17,448,659)	3.80
Cancelled	(420,643)	4.34	(1,425,216)	3.79	(8,180,519)	3.88
Balance at the end of the Period	**19,117,177**	**$4.12**	**40,628,076**	**$3.64**	**19,976,210**	**$3.89**
Exercisable at the end of the period	**10,917,427**	$4.16	16,686,482	$3.48	6,001,418	$4.06
Weighted average fair value of options granted during the period	—	—	—	—	—	—

As of June 30, 2007 options vested and expected to vest are 16,018,049 with an aggregate grant date intrinsic value of US$ Nil.

	Three months ended June 30,				Year ended March 31,	
	2007 (unaudited)		2006 (unaudited)		2007	
ASOP (ADS)	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the period	**2,922,128**	**$4.89**	**3,982,684**	**$ 4.25**	**3,982,684**	**$ 4.12**
Granted	—	—	40,000	$18.83	40,000	$10.02
Exercised	(36,124)	$3.13	(168,908)	$ 5.56	(848,272)	$ 2.89
Cancelled	(6,112)	5.58	(52,784)	$ 5.34	(252,284)	$ 4.42
Balance at the end of the period	**2,879,892**	**$5.21**	**3,800,992**	**$ 4.09**	**2,922,128**	**$ 4.89**
Exercisable at the end of the period	2,264,516	$4.55	2,230,508	$ 3.25	1,985,282	$ 8.33
Weighted average fair value of options granted during the period	—	—	40,000	$18.83		$10.02

As of June 30, 2007 options vested and expected to vest are 2,719,834 with an aggregate grant date intrinsic value of US$ Nil.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

	Three months ended June 30,				Year ended March 31,	
	2007 (unaudited)		2006 (unaudited)		2007	
RSU Plan	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the period	**3,293,140**	**$ 0.05**	—	—	—	—
Granted	25,000	$ 0.05	—	—	3,293,140	$ 0.05
Exercised	—	—	—	—	—	—
Cancelled	—		—	—	—	—
Lapsed	—	—	—	—	—	—
Balance at the end of the period	**3,318,140**	**$ 0.05**	—	—	**3,293,140**	**$ 0.05**
Exercisable at the end of the period	—	—	—	—	—	—
Weighted average fair value of options granted during the period	25,000	$11.23	—	—	—	$11.77

As of June 30, 2007 options vested and expected to vest are 2,874,173 with an aggregate grant date intrinsic value of US$30.91 million.

	Three months ended June 30,				Year ended March 31,	
	2007 (unaudited)		2006 (unaudited)		2007	
RSU ADS Plan	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the period	**473,240**	**$ 0.05**	—	—	—	—
Granted	35,000	$ 0.05	—	—	473,240	$ 0.05
Exercised	—	—	—	—	—	—
Cancelled	—	—	—	—	—	—
Lapsed	—	—	—	—	—	—
Balance at the end of the period	**508,240**	**$ 0.05**	—	—	**473,240**	**$ 0.05**
Exercisable at the end of the period	—	—	—	—	—	—
Weighted average fair value of options granted during the period	35,000	$12.09	—	—	—	$24.05

As of June 30, 2007 options vested and expected to vest are 458,483 with an aggregate grant date intrinsic value of US$ 5.39 million.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Information about number of equity shares representing stock options outstanding as on June 30, 2007:

Range of Exercise Price (per equity share)		Outstanding: Weighted Average Exercise Price (per equity share)	Outstanding: Weighted Average remaining contractual life	Outstanding: Number of equity shares arising out of options	Exercisable: Weighted Average Exercise Price (per equity share)	Exercisable: Number of equity shares arising out of options
Rs.2.00	$ 0.05	Rs. 2.27	7.09 Years	3,826,380	—	—
Rs.4.00	$ 0.10	$ 0.06				
Rs.68.57	$ 1.69	Rs. 147.87	4.66 Years	9,674,532	Rs. 141.82	5,852,796
Rs.166.10	$ 4.09	$ 3.64			$ 3.49	
Rs.166.11	$ 4.09	Rs. 203.06	4.54 Years	10,724,859	Rs. 205.97	6,189,745
Rs.367.94	$ 9.07	$ 5.00			$ 5.08	
Rs.367.95	$ 9.07	Rs. 516.45	4.64 Years	1,743,878	Rs. 502.50	1,139,402
Rs.863.67	$21.28	$ 12.73			$ 12.38	

The US$ numbers in the above tables have been translated using the closing exchange rate as of June 30, 2007 1US$= Rs40.58

There are no grants with the exercise price in the range of Rs.4.01- Rs68.56 (US$0.10 – US$1.69).

Stock-based compensation

Satyam's Consolidated Financial Statements as of and for the three months ended June 30, 2007 (unaudited) reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, Satyam's Consolidated Financial Statements for the prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. As required by SFAS 123(R), management has made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. Upon adoption of SFAS 123R, Satyam had no cumulative adjustment on account of expected forfeitures for stock-based awards granted prior to April 1, 2006. Satyam recorded stock-based compensation related to stock options of US$5.94 million and US$3.6 million during the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$15.7 million during the year ended March 31, 2007, on graded vesting basis for all unvested options granted prior to and options granted after the adoption of SFAS 123(R). As of June 30, 2007, there was US$38.8 million of unrecognized compensation cost related to unvested options which is expected to be recognized over a weighted average period of 1.14 years. Satyam issues new shares to satisfy share option exercise. Cash received from option exercises amounted to US$1.1 million, US$10.2 million for the three months June 30, 2007 and 2006 (unaudited) respectively and US$64.4 million for the year ended March 31, 2007.

The fair value of each option award is estimated on the date of grant using the Black Scholes option-pricing model. The following table gives the weighted-average assumptions used to determine fair value:

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Dividend yield	0.78%	0.85%	0.78%
Expected volatility	56.64%	56.86%	59%
Risk-free interest rate	7%	7%	8%
Expected term (in years)	1.14	1.14	0.96

Expected Term: The expected term represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Risk-Free Interest Rate: The risk-free interest rate is based on the applicable rates of government securities in effect at the time of grant.

Expected Volatility: The fair values of stock-based payments were valued using a volatility factor based on the Company's historical stock prices.

Expected Dividend: The Black Scholes option-pricing model calls for a single expected dividend yield as an input.

Estimated Pre-vesting Forfeitures: When estimating forfeitures, the Company considers voluntary termination behavior. Estimated forfeiture rates are trued-up to actual forfeiture results as the stock-based awards vest.

Stock based compensation plan of Nipuna

In April 2004, Nipuna established its Employee Stock Option Plan (the "ESOP"). As per the ESOP, the options were granted at fair value as determined by an independent valuer as on the date of the grant and hence no compensation cost has been recognized. These options vest starting with 33.33% at the end of the second year, 33.33% at the end of the third year and remaining 33.34% at the end of the fourth year from the date of grant.

Changes in number of equity shares representing stock options outstanding were as follows:

	Three months ended June 30,				Year ended March 31,	
	2007 (unaudited)		2006 (unaudited)		2007	
ASOP Plan	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price	Number of equity shares	Weighted Average Exercise Price
Balance at the beginning of the period	**998,702**	**$1.86**	**1,215,106**	**$ 1.8**	**1,215,506**	**$1.80**
Granted	—	1.77	—	—	324,000	1.77
Exercised	—	—	—	—	—	—
Cancelled	—	1.77	(360,000)	$1.77	(540,804)	1.77
Lapsed	—	—	—	—	—	—
Balance at the end of the period	**998,702**	**$1.97**	855,106	$1.77	**998,702**	**$1.86**
Exercisable at the end of the period	—	—	—	—	—	—
Weighted average fair value of options granted during the period	—	—	—	—	—	$1.77

16. Segmental Reporting

Satyam has adopted SFAS 131; *"Disclosures about Segments of an Enterprise and Related Information"* which requires disclosure of financial and descriptive information about Satyam's reportable operating segments. The operating segments reported below are the segments of Satyam for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. Management evaluates performance based on stand-alone revenues and net income for the companies in Satyam. The executive management evaluates Satyam's operating segments based on the following two business groups:

– *IT services*, providing a comprehensive range of services, including application development and maintenance, consulting and enterprise business solutions, extended engineering solutions, infrastructure management services. Satyam provides its customers the ability to meet all of their information technology needs from one service provider. Satyam's eBusiness services include designing, developing integrating and maintaining Internet-based applications, such as eCommerce websites, and implementing packaged software applications, such as customer or supply chain management software applications. Satyam also assists its customers in making their existing computing systems accessible over the Internet. The segment information includes the results of Citisoft and Knowledge Dynamics which were acquired during last year.

– *Business Process Outsourcing*, providing BPO services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

Satyam's operating segment information for the three months ended June 30, 2007 and 2006 (unaudited) and the year ended March 31, 2007 are as follows:

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Business Segments

(US$ in millions)

	IT Services	BPO	Elimination	Consolidated totals
For the three months ended June 30, 2007 (unaudited)				
Revenue – External customers	$ 443.8	$ 8.5	—	$ 452.3
Revenue – Inter-segment	0.3	3.4	(3.7)	—
Total Revenues	**$ 444.1**	**$11.9**	**$ (3.7)**	**$ 452.3**
Operating income / (loss)	91.9	(1.8)	—	90.1
Equity in earnings/(losses) of associated companies, net of taxes	—	—	—	—
Net income / (loss)	94.9	(1.8)	—	93.1
Segment assets	1815.2	48.3	(22.5)	1841.0
Depreciation and amortization	8.3	1.0	—	9.3
Capital expenditures for long-lived assets	23.3	(0.4)	—	22.9
For the three months ended June 30, 2006 (unaudited)				
Revenue – External customers	$ 316.2	$ 6.3	—	$ 322.5
Revenue – Inter-segment	0.1	1.7	$ (1.8)	—
Total Revenues	**316.3**	**8.0**	**(1.8)**	**322.5**
Operating income / (loss)	67.1	(0.2)	—	66.9
Equity in earnings/(losses) of associated companies, net of taxes	0.2	—	—	0.2
Net income / (loss)	76.0	(0.5)	—	75.5
Segment assets	1,241.6	31.5	(17.3)	1,255.8
Depreciation and amortization	7.5	0.6	—	8.1
Capital expenditures for long-lived assets	14.2	0.3	—	14.5
For the year ended March 31, 2007				
Revenue – External customers	$1,432.5	$28.9	—	$1,461.4
Revenue – Inter-segment	0.6	9.2	(9.8)	—
Total Revenues	**1,433.1**	**38.1**	**(9.8)**	**1,461.4**
Operating income / (loss)	294.0	(2.4)	—	291.6
Equity in earnings/(losses) of associated companies, net of taxes	0.8	—	—	0.8
Net income	302.7	(4.3)	—	298.4
Segment assets	1,605.3	42.5	(23.7)	1,624.1
Depreciation and amortization	30.4	3.2	—	33.6
Capital expenditures for long-lived assets	79.6	4.2	—	83.8

The capital expenditures for long-lived assets in the above table represent the additions to premises and equipment (fixed assets) of each segment.

Geographic Information

The revenues that are attributable to countries based on location of customers and long-lived assets are as follows:

(US$ in millions)

	Three months ended June 30,				Year ended March 31,	
	2007 (unaudited)		2006 (unaudited)		2007	
	Revenues from external customers	Long-lived assets	Revenues from external customers	Long-lived assets	Revenues from external customers	Long-lived assets
United States	$ 281.5	$ 4.3	$ 209.0	$ 4.0	$ 924.0	$ 4.1
Europe	90.3	1.5	59.9	0.8	276.5	1.4
India	12.8	218.5	13.9	141.6	75.2	194.8
Japan	6.4	0.7	3.5	0.4	20.8	0.4
Rest of the World	61.3	3.3	36.2	2.1	164.9	2.5
Total	**$ 452.3**	**$ 228.3**	**$ 322.5**	**$ 148.9**	**$ 1,461.4**	**$ 203.2**

The long-lived assets in the above table represent premises and equipment and intangible assets of each segment.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

17. Related Party Transactions

Related party transactions comprise of

(US$ in millions)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Infrastructure and other services provided by Satyam to			
Satyam Venture	$ 0.1	$ 0.1	$ 0.5
Total	**$ 0.1**	**$ 0.1**	**$ 0.5**
Infrastructure and other services received by Satyam from			
Satyam Venture	$ 2.3	$ 2.2	$ 8.6
CA Satyam	—	—	0.2
Total	**$ 2.3**	**$ 2.2**	**$ 8.8**

The balances receivable from and payable to related parties are as follows:

(US$ in millions)

Amount due from/(to) associated companies	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
Satyam Venture	$ (2.8)	$ (2.3)	$ (2.6)
CA Satyam	—	0.1	—
Total	**$ (2.8)**	**$ (2.2)**	**$ (2.6)**

18. Shareholders’ Equity and Dividends

Increase in authorized share capital

On August 21, 2006, the shareholders of Satyam Computer Services approved for increase in authorized capital of the Company from 375 million equity shares to 800 million equity shares.

Stock Split (in the form of stock dividend)

On August 21, 2006, the shareholders of Satyam Computer Services approved a two-for-one stock split (in the form of stock dividend) which was effective on October 10, 2006. Consequently, Satyam capitalized an amount of US$17.7 million from its retained earnings to common stock. All references in the financial statements to number of shares, per share amounts, stock option data, and market prices of Satyam Computer Services’ equity shares have been retroactively restated to reflect the stock split unless otherwise noted.

Dividends

Final dividends proposed by the Board of Directors are payable when formally declared by the shareholders, who have the right to decrease but not increase the amount of the dividend recommended by the Board of Directors. The Board of Directors declares interim dividends without the need for shareholders’ approval.

Dividends payable to equity shareholders are based on the net income available for distribution as reported in Satyam Computer Services unconsolidated financial statements prepared in accordance with Indian GAAP. As such, dividends are declared and paid in Indian Rupees. The net income in accordance with U.S. GAAP may, in certain years, either not be fully available or will be additionally available for distribution to equity shareholders. Under Indian GAAP the retained earnings available for distribution to equity shareholders was US$1,158.1 million and US$781.0 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$1,062.6 million for the year ended March 31, 2007.

Under the Indian Companies Act, dividends may be paid out of the profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Before declaring a dividend greater than 10.0% of the par value of its equity shares, a company is required to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10.0%, depending on the dividend percentage to be declared in such year.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

19. Contingencies and Commitments

a) Funding and Warrant commitments — Nipuna

Satyam Computer Services has guaranteed payment of all sums payable by Nipuna to the Investors on redemption of the 0.05% cumulative convertible redeemable preference shares. Satyam Computer Services, Nipuna and the investors had also entered into a warrant agreement whereby Nipuna agreed to issue to the Investors, one warrant in consideration of and based upon every US$0.1 million referral revenues received by Nipuna or its subsidiaries. As of June 30, 2007, there were no referral revenues and hence no warrants have been issued.

b) Citisoft Plc and Knowledge Dynamics Pte Ltd.

For commitments relating to Knowledge Dynamics refer note 3.

c) Bank guarantees

Bank guarantees outstanding are US$23.8 million and US$12.7 million as of June 30, 2007 and 2006 (unaudited) respectively and US$23.1 million as of March 31, 2007. Bank guarantees are generally provided to government agencies, excise and customs authorities for the purposes of maintaining a bonded warehouse. These guarantees may be revoked by the governmental agencies if they suffer any losses or damage through the breach of any of the covenants contained in the agreements.

d) Capital commitments

Contractual commitments for capital expenditure pending execution were US$48.4 million and US$33.6 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$38.2 million as of March 31, 2007. Contractual commitments for capital expenditures are relating to acquisition of premises and equipment.

e) Operating leases

Satyam has certain operating leases for land, office premises and guesthouses. Rental expenses for operating leases are accounted for on a straight line method. Rental expense amounted to US$6.9 million and US$4.7 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$23.7 million for the year ended March 31, 2007.

Future minimum annual lease commitments for non-cancelable lease arrangements, including those leases for which renewal options may be exercised as of June 30, 2007 are US$3.3 million in fiscal 2008, US$2.8 million in fiscal 2009, US$1.1 million in fiscal 2010, US$0.9 million in fiscal 2011 and thereafter.

f) Venture Global Engineering LLC, USA

Satyam Computer Services had filed a request for arbitration with the London Court of International Arbitration (“LCIA”) naming Venture Global Engineering LLC, USA (“VGE”) as respondent. The Arbitration concerned a dispute between Satyam Computer Services and VGE in connection with their joint venture Satyam Venture Engineering Services Private Limited (“SVES”).

The LCIA Arbitrator issued his Final Award on April 3, 2006 in favour of Satyam Computer Services. Satyam Computer Services has filed a petition to recognize and enforce the Award in the United States District Court in Michigan. VGE has separately filed a declaratory judgment action seeking to refuse enforcement of the Award in the United States District Court in Illinois. Management believes that this will not have any adverse effect upon Satyam’s results of operations, financial condition and cash flows.

20. Concentration of Credit Risk

Accounts receivable balances are typically unsecured and are derived from revenues earned from customers primarily located in the United States. Satyam monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. The following table gives details in respect of percentage of revenues generated from top two and top five customers:

	Three months ended June 30,		Year ended
	2007 (unaudited)	2006 (unaudited)	March 31, 2007
Revenues generated from top two customers			
Customer I	5.50%	6.90%	6.34%
Customer II	4.67%	5.39%	4.41%
Total revenues from top five customers	20.23%	21.74%	21.04%

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

21. Financial Instruments

Forward and options contracts

Satyam Computer Services enters into foreign exchange forward and options contracts where the counter party is generally a bank. Satyam Computer Services considers the risks of non-performance by the counter party as not material.

The following tables give details in respect of our outstanding foreign exchange forward and options contracts:

(US$ in millions)

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
Aggregate contracted principal amounts of contracts outstanding:			
Forward contracts	$ 172.0	$ 74.0	$ 100.0
Options contracts	571.6	124.0	352.6
Total	**$ 743.6**	**$ 198.0**	**$ 452.6**
Balance sheet exposure:			
Forward contracts	$ 11.8	$ (1.1)	$ 2.1
Options contracts	14.3	(4.6)	2.4
Total	**$ 26.1**	**$ (5.7)**	**$ 4.5**

The outstanding foreign exchange forward and options contracts as of June 30, 2007 mature between one to thirty three months.

Gains/(losses) on foreign exchange forward and options contracts are included in the statement of income and are as stated below:

(US$ in millions)

	Three months ended June 30, 2007 (unaudited)	Three months ended June 30, 2006 (unaudited)	Year ended March 31, 2007
Forward contracts	$ 9.5	$ (1.8)	$ 2.6
Options contracts	12.6	(3.1)	3.6
Total	**$ 22.1**	**$ (4.9)**	**$ 6.2**

Fair value

The carrying amounts reported in the balance sheets for cash and cash equivalents, trade and other receivables, investments, amounts due to or from related parties, short-term debts, accounts payable and other liabilities approximate their respective fair values due to their short maturity and due to no change in the interest rates for bank deposits. The approximate fair value of long-term debts, as determined by using current interest rates was US$25.6 million and US$22.8 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$23.8 million as of March 31, 2007 as compared to the carrying amounts of US$25.6 million and US$22.7 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$23.8 million as of March 31, 2007.

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

22. Schedules of Balance sheet

a) Cash and Cash Equivalents

The cash and cash equivalents consist of:

(US$ in millions)

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
Cash and bank balances	$ 185.5	$ 330.6	$ 138.2
Cash equivalents	2.0	22.1	14.0
Cash and cash equivalents	**$ 187.5**	**$ 352.7**	**$ 152.2**

b) Accounts receivable and allowance for doubtful debts

Accounts receivable consist of:

(US$ in millions)

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
Customers (trade)	$ 434.0	$ 229.4	$ 386.9
Related parties	0.1	—	0.1
Less: Allowance for doubtful debts	(25.2)	(19.0)	(22.8)
Accounts receivable, net	**$ 408.9**	**$ 210.4**	**$ 364.2**

The allowance for doubtful debt is established at amounts considered to be appropriate based primarily upon Satyam's past credit loss experience and an evaluation of potential losses on the outstanding receivable balances.

c) Prepaid Expenses and Other Receivables

Prepaid expenses and other receivables consist of:

(US$ in millions)

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
Interest accrued on bank deposits	—	$ 28.7	—
Prepaid expenses	$ 8.5	5.0	$ 8.1
Directors liability insurance	0.3	0.2	0.3
Advance for expenses	22.9	14.2	9.3
Loans and advance to employees	14.8	6.9	13.8
Other advances and receivables	30.2	2.7	9.4
Less: Allowance for doubtful advances	(4.3)	(2.3)	(3.8)
Prepaid expenses and other receivables	**$ 72.4**	**$ 55.4**	**$ 37.1**

Prepaid expenses principally include the un-expired portion of annual rentals paid for use of leased telecommunication lines, satellite link charges, and insurance premiums.

Others advances and receivables include the current portion of the restricted cash in the form of deposits placed with banks to obtain bank guarantees amounted to US$1.1 million and US$0.9 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$2.1 million as of March 31, 2007.

d) Other Assets

Other assets consist of:

(US$ in millions)

	As of June 30, 2007 (unaudited)	As of June 30, 2006 (unaudited)	As of March 31, 2007
Interest accrued on bank deposits	$ 28.7	—	$ 15.1
Deposits	24.9	17.8	20.8
Loans and advances to employees due after one year	0.9	0.8	0.9
Deferred taxes on income	3.6	0.6	3.3
Others	1.7	1.3	1.0
Less: Allowance for doubtful advances	(1.7)	(1.5)	(1.6)
Other Assets	**$ 58.1**	**$ 19.0**	**$ 39.5**

Table of Contents

Satyam Computer Services Limited
Notes to the Consolidated Financial Statements

Others include the non-current portion of the restricted cash in the form of deposits placed with banks to obtain bank guarantees amounted to US$0.7 million and US$0.4 million for the three months ended June 30, 2007 and 2006 (unaudited) respectively and US$0.3 million as of March 31, 2007. Telephone and other deposits are primarily attributable to deposits with government organizations principally to obtain leased telephone lines and electricity supplies and advance payments to vendors for the supply of goods and rendering of services.

e) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of:

(US$ in millions)

	As of June 30,		As of March 31,
	2007 (unaudited)	2006 (unaudited)	2007
Accrued expenses	$ 106.1	$ 86.7	$ 99.0
Unclaimed dividend	1.5	1.1	1.5
Provision for taxation, net of payments	18.3	5.9	15.5
Provision for gratuity and unutilized leave	32.2	24.4	29.5
Deferred taxes on income	3.3	2.7	3.1
Accrued expenses and other current liabilities	**$ 161.4**	**$ 120.8**	**$ 148.6**

REPORT ON FORM 6-K DATED 3 MAY 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of the Securities Exchange Act of 1934

For the Month of May 2007

Commission File Number 001-15190

SATYAM COMPUTER SERVICES LIMITED

(Exact name of registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Republic of India
(State or other jurisdiction of incorporation or organization)

Satyam Technology Center
Bahadurpally Village
Qutbullapur Mandal
R.R. District — 500855
Hyderabad, Andhra Pradesh, India
(91) 40-3063 3535
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☑ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☑

If "Yes" is marked, indicate below the file number assigned to registrant in connection with Rule 12g3-2(b): **Not applicable.**

This Report on Form 6-K shall be incorporated by reference in the:

1. Registration Statement on Form S-8 (No. 333—13772) of Satyam Computer Services Limited (the "**Company**"), filed by the Company with the Securities and Exchange Commission on July 31, 2001; and

2. Registration Statement on Form S-8 (No. 333—139949) of the Company, filed by the Company with the Securities and Exchange Commission on January 12, 2007.

Other Events

On May 2, 2007, the Company regretfully announced the death of Mr. V.P. Rama Rao, who was an independent director and had been a member of the Company's Board of Directors since July 1991.

The Company's directors as of May 2, 2007 are set forth below:

Name	Position
B. Ramalinga Raju	Chairman
B. Rama Raju	Managing Director and Chief Executive Officer
Rammohan Rao Mynampati	President and Whole Time Director
Dr. Mangalam Srinivasan	Director
Krishna G. Palepu	Director
Vinod K. Dham	Director
M. Rammohan Rao	Director
T.R. Prasad	Director
V.S. Raju	Director

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunder duly authorized.

Date: May 3, 2007

SATYAM COMPUTER SERVICES LIMITED

By: /s/ G. Jayaraman
Name: G. Jayaraman
Title: Sr. Vice President — Corporate Governance
& Company Secretary

DEPOSIT AGREEMENT

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EXHIBIT 2.2

DEPOSIT AGREEMENT

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by and among

SATYAM COMPUTER SERVICES LIMITED

AND

CITIBANK, N.A.,
as Depositary,

AND

THE HOLDERS AND BENEFICIAL OWNERS
OF AMERICAN DEPOSITARY SHARES EVIDENCED BY
AMERICAN DEPOSITARY RECEIPTS ISSUED HEREUNDER

Dated as of May 14, 2001

<PAGE>

TABLE OF CONTENTS

<TABLE>
<S> <C> <C>

</TABLE>

<PAGE>

<TABLE>
<S> <C>

</TABLE>

ii

<PAGE>

<TABLE>
<S> <C>

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iii

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DEPOSIT AGREEMENT

DEPOSIT AGREEMENT, dated as of May 14, 2001, by and among (i) SATYAM COMPUTER SERVICES LIMITED, a limited liability company organized under the laws of the Republic of India, and its successors (the "Company"), (ii) CITIBANK, N.A., a national banking association organized under the laws of the United

States of America acting in its capacity as depositary, and any successor depositary hereunder (the "Depositary"), and (iii) all Holders and Beneficial Owners of American Depositary Shares evidenced by American Depositary Receipts issued hereunder (all such capitalized terms as hereinafter defined).

W I T N E S S E T H T H A T:

WHEREAS, the Company has duly authorized and has outstanding equity shares, each with a par value of Rs.2 per share (the "Shares"); and

WHEREAS, the Company desires to establish with the Depositary an ADR facility to provide for the deposit of the Shares and the creation of American Depositary Shares representing the Shares so deposited and for the execution and delivery of American Depositary Receipts evidencing such American Depositary Shares; and

WHEREAS, the Depositary is willing to act as the Depositary for such facility upon the terms set forth in this Deposit Agreement; and

WHEREAS, the American Depositary Receipts evidencing the American Depositary Shares issued pursuant to the terms of this Deposit Agreement are to be substantially in the form of Exhibit A attached hereto, with appropriate insertions, modifications and omissions, as hereinafter provided in this Deposit Agreement; and

WHEREAS, the American Depositary Shares to be issued pursuant to the terms of this Deposit Agreement are to be listed for trading on the New York Stock Exchange; and

WHEREAS, the Board of Directors of the Company (or an authorized committee thereof) has duly approved the establishment of an ADR facility upon the terms set forth in this Deposit Agreement, the execution and delivery of this Deposit Agreement on behalf of the Company, and the actions of the Company and the transactions contemplated herein.

NOW, THEREFORE, in consideration of the premises, the parties hereto agree as follows:
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ARTICLE I.

DEFINITIONS

All capitalized terms used, but not otherwise defined, herein shall have the meanings set forth below, unless otherwise clearly indicated:

Section 1.1 "ADS Record Date" shall have the meaning given to such
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term in Section 4.9.

Section 1.2 "Affiliate" shall have the meaning assigned to such term by
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the Commission (as hereinafter defined) under Regulation C promulgated under the Securities Act (as hereinafter defined).

Section 1.3 "American Depositary Share(s)" and "ADS(s)"shall mean the
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rights and interests in the Deposited Securities granted to the Holders and Beneficial Owners pursuant to the terms and conditions of this Deposit Agreement and the American Depositary Receipts issued hereunder to evidence such ADSs. As of the date hereof, each American Depositary Share represents two (2) Shares on deposit with the Custodian (except as contemplated in Section 5.10 of the Deposit Agreement). In the event of a distribution upon Deposited Securities referred to in Section 4.2 or a change in Deposited Securities referred to in Section 4.11 with respect to which additional American Depositary Shares are not issued, each American Depositary Share shall represent the Deposited Securities specified in such Sections. The Company and the Depositary may at any time hereafter, subject to applicable law and the terms of the Deposit Agreement, amend the ADS-to-Share ratio, without, however, adversely affecting the rights of Holders under the Deposit Agreement to receive the Deposited Securities represented by the Holders' ADSs before the effective date of the amendment of the ADS-to-Share ratio.

Section 1.4 "Applicant" shall have the meaning given to such term in
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Section 5.10.

Section 1.5 "Beneficial Owner" shall mean as to any ADS, any person or
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entity having a beneficial interest deriving from the ownership of such ADS. A Beneficial Owner of ADSs may or may not be the Holder of the ADR(s) evidencing such ADSs. A Beneficial Owner shall be able to exercise any right or receive any benefit hereunder solely through the person who is the Holder of the ADR(s) evidencing the ADSs owned by such Beneficial Owner.

Section 1.6 "Business Day" shall mean any day on which both the banks in
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the Republic of India and the banks in New York are open for business.

Section 1.7 "Commission" shall mean the Securities and Exchange
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Commission of the United States or any successor governmental agency in the

United States.

Section 1.8 "Company" shall mean Satyam Computer Services Limited, a
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limited liability company organized and existing under the laws of the Republic of India, and its successors.

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Section 1.9 "Custodian" shall mean, as of the date hereof, Citibank,
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N.A. - Mumbai Branch, having its principal office at 81 Dr. Annie Besant Road, Worli, Mumbai India 400018, as the custodian for the purposes of this Deposit Agreement, and any other entity that may be appointed by the Depositary pursuant to the terms of Section 5.5 as successor, substitute or additional custodian hereunder. The term "Custodian" shall mean any Custodian individually or all Custodians collectively, as the context requires.

Section 1.10 "Deliver" and "Delivery" shall mean, when used in respect of
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ADSs, Deposited Securities and Shares, the physical delivery of the certificate(s) representing such securities, or the electronic delivery of such securities by means of book-entry transfer, if available.

Section 1.11 "Deposit Agreement" shall mean this Deposit Agreement and all
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exhibits hereto, as the same may from time to time be amended and supplemented in accordance with the terms hereof.

Section 1.12 "Depositary" shall mean Citibank, N.A., a national banking
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association organized under the laws of the United States, in its capacity as depositary under the terms of this Deposit Agreement, and any successor depositary hereunder.

Section 1.13 "Deposited Securities" shall mean Shares at any time deposited
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under this Deposit Agreement and any and all other securities, property and cash held by the Depositary or the Custodian in respect thereof, subject, in the case of cash, to the provisions of Section 4.8. The collateral delivered in connection with Pre-Release Transactions described in Section 5.10 hereof shall not constitute Deposited Securities.

Section 1.14 "Dollars" and "$" shall refer to the lawful currency of the
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United States.

Section 1.15 "DTC" shall mean The Depository Trust Company, a national clearinghouse and the central book-entry settlement system for securities traded in the United States and, as such, the custodian for the securities of DTC Participants (as hereinafter defined) maintained in DTC, and any successor thereto.

Section 1.16 "DTC Participant" shall mean any financial institution (or any nominee of such institution) having one or more participant accounts with DTC for receiving, holding and delivering the securities and cash held in DTC.

Section 1.17 "Exchange Act" shall mean the United States Securities Exchange Act of 1934, as from time to time amended.

Section 1.18 "Foreign Currency" shall mean any currency other than Dollars.

Section 1.19 "Holder" shall mean the person in whose name a Receipt is registered on the books of the Depositary (or the Registrar, if any) maintained for such purpose. A Holder may or may not be a Beneficial Owner. If a Holder is not the Beneficial Owner of the ADSs

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evidenced by the Receipt registered in its name, such person shall be deemed to have all requisite authority to act on behalf of the Beneficial Owners of the ADSs evidenced by such Receipt.

Section 1.20 "National Securities Depository Limited", "NSDL" shall mean the National Securities Depository Limited, which provides the book-entry settlement system for equity securities in the Republic of India, or any successor entity thereto.

Section 1.21 "Pre-Release Transaction" shall have the meaning set forth in Section 5.10.

Section 1.22 "Principal Office" when used with respect to the Depositary, shall mean the principal office of the Depositary at which at any particular time its depositary receipts business shall be administered, which, at the date of this Deposit Agreement, is located at 111 Wall Street, New York, New York 10043, U.S.A.

Section 1.23 "Receipt(s)"; "American Depositary Receipt(s)" and "ADR(s)"
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shall mean the certificate(s) issued by the Depositary to evidence the American Depositary Shares issued under the terms of this Deposit Agreement, as such Receipts may be amended from time to time in accordance with the provisions of this Deposit Agreement. A Receipt may evidence any number of American Depositary Shares and may, in the case of American Depositary Shares held through a central depository such as DTC, be in the form of a "Balance Certificate."

Section 1.24 "Registrar" shall mean the Depositary or any bank or trust
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company having an office in the Borough of Manhattan, The City of New York, which shall be appointed by the Depositary, subject to the consent of the Company, to register issuances and transfers of Receipts as herein provided, and shall include any co-registrar appointed by the Depositary with the consent of the Company for such purposes. Registrars (other than the Depositary) may be removed and substitutes appointed by the Depositary with the consent of the Company. Each Registrar (other than the Depositary) appointed pursuant to this Deposit Agreement shall be required to give notice in writing to the Depositary and to the Company accepting such appointment and agreeing to be bound by the applicable terms of this Deposit Agreement.

Section 1.25 "Restricted Securities" shall mean Shares, Deposited
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Securities or ADSs, which (i) have been acquired directly or indirectly from the Company or any of its Affiliates in a transaction or chain of transactions not involving any public offering and are subject to resale limitations under the Securities Act or the rules issued thereunder, or (ii) are held by an officer or director (or persons performing similar functions) or other Affiliate of the Company, or (iii) are subject to other restrictions on sale or deposit under the laws of the United States, the Republic of India, or under a shareholder agreement or the Articles of Association and Memorandum of Association of the Company or under the regulations of any applicable securities exchange unless, in each case, such Shares, Deposited Securities or ADSs are being sold to persons other than an Affiliate of the Company in a transaction (i) covered by an effective resale registration statement, or (ii) exempt from the registration requirements of the Securities Act (as hereinafter defined), and the Shares, Deposited Securities or ADSs are not, when held by such person(s), Restricted Securities.

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Section 1.26 "Rupees" and "Rs." shall refer to the lawful currency of

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the Republic of India.

Section 1.27 "Securities Act" shall mean the United States Securities Act
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of 1933, as from time to time amended.

Section 1.28 "Share Registrar" shall mean, as of the date hereof, the
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Company and may after the date hereof be depository institution organized under the laws of the Republic of India appointed by the Company to carry out the duties of registrar for the Shares or any successor as Share Registrar for such Shares appointed by the Company.

Section 1.29 "Shares" shall mean the Company's equity shares, par value
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Rs.2 per share, validly issued and outstanding and fully paid and may, if the Depositary so agrees after consultation with the Company, include evidence of the right to receive Shares; provided that in no event shall Shares include evidence of the right to receive Shares with respect to which the full purchase price has not been paid or Shares as to which preemptive rights have theretofore not been validly waived or exercised; provided further, however, that, if there shall occur any change in par value, split-up, consolidation, reclassification, conversion or any other event described in Section 4.11 in respect of the Shares of the Company, the term "Shares" shall thereafter, to the maximum extent permitted by law, represent the successor securities resulting from such change in par value, split-up, consolidation, exchange, conversion, reclassification or event.

Section 1.30 "United States" shall have the meaning assigned to it in
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Regulation S as promulgated by the Commission under the Securities Act.

ARTICLE II.

APPOINTMENT OF DEPOSITARY; FORM OF RECEIPTS; DEPOSIT OF SHARES; EXECUTION AND DELIVERY, TRANSFER AND SURRENDER OF RECEIPTS

Section 2.1 Appointment of Depositary. The Company hereby appoints the
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Depositary as depositary for the Deposited Securities and hereby authorizes and directs the Depositary to act in accordance with the terms set forth in this Deposit Agreement. Each Holder and each Beneficial Owner, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms of this Deposit Agreement, shall be deemed for all purposes to (a) be a party to and

bound by the terms of this Deposit Agreement and (b) appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in this Deposit Agreement, to adopt any and all procedures necessary to comply with applicable law and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of this Deposit Agreement (the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof).

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Section 2.2 Form and Transferability of Receipts.

(a) Form. ADSs shall be evidenced by definitive Receipts which shall be
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engraved, printed, lithographed or produced in such other manner as may be agreed upon by the Company and the Depositary. Receipts may be issued under the Deposit Agreement in denominations of any whole number of ADSs. The Receipts shall be substantially in the form set forth in Exhibit A to the Deposit
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Agreement, with any appropriate insertions, modifications and omissions, in each case as otherwise contemplated in the Deposit Agreement or required by law. Receipts shall be (i) dated, (ii) signed by the manual or facsimile signature of a duly authorized signatory of the Depositary, (iii) countersigned by the manual or facsimile signature of a duly authorized signatory of the Registrar, and (iv) registered in the books maintained by the Registrar for the registration of issuances and transfers of Receipts. No Receipt and no ADS evidenced thereby shall be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company, unless such Receipt shall have been so dated, signed, countersigned and registered. Receipts bearing the facsimile signature of a duly-authorized signatory of the Depositary or the Registrar, who at the time of signature was a duly authorized signatory of the Depositary or the Registrar, as the case may be, shall bind the Depositary, notwithstanding the fact that such signatory has ceased to be so authorized prior to the delivery of such Receipt by the Depositary. The Receipts shall bear a CUSIP number that is different from any CUSIP number that was, is or may be assigned to any depositary receipts previously or subsequently issued pursuant to any other arrangement between the Depositary (or any other depositary) and the Company and which are not Receipts issued hereunder.

(b) Legends. The Receipts may be endorsed with or have incorporated in the
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text thereof such legends or recitals not inconsistent with the provisions of the Deposit Agreement (i) as may be necessary to enable the Depositary or the Company to perform their respective obligations hereunder, (ii) as may be required to comply with any applicable laws or regulations, or with the rules

and regulations of any securities exchange or market upon which ADSs may be traded, listed or quoted, or to conform with any usage with respect thereto, (iii) as may be necessary to indicate any special limitations or restrictions to which any particular Receipts or ADSs are subject by reason of the date or manner of issuance of the Deposited Securities or otherwise (including, without limitation, as contemplated in Section 2.12 of the Deposit Agreement), or (iv) as may be required by any book-entry system in which the ADSs are held.

(c) Title. Subject to the limitations contained herein and in the Receipt,
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title to a Receipt (and to each ADS evidenced thereby) shall be transferable upon the same terms as a certificated security under the laws of the State of New York, provided that such Receipt has been properly endorsed or is accompanied by proper instruments of transfer. Notwithstanding any notice to the contrary, the Depositary and the Company may deem and treat the Holder of a Receipt (that is, the person in whose name a Receipt is registered on the books of the Depositary) as the absolute owner thereof for all purposes. Neither the Company nor the Depositary shall have any obligation nor be subject to any liability under this Deposit Agreement or any Receipt to any holder of a Receipt or any Beneficial Owner unless such holder is the registered Holder of

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such Receipt or, in the case of a Beneficial Owner, such Beneficial Owner or the Beneficial Owner's representative is the registered Holder thereof.

(d) Book-Entry Systems. The Depositary shall make arrangements for the
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acceptance of the American Depositary Shares into DTC. A single ADR in the form of a "Balance Certificate" will evidence all ADSs held through DTC and will be registered in the name of the nominee for DTC (currently "Cede & Co.") and will provide that it represents the aggregate amount of ADSs from time to time indicated in the records of the Depositary as being issued hereunder and that the aggregate amount of ADSs represented thereby may from time to time be increased or decreased by making adjustments on such records of the Depositary and of DTC or its nominee as hereinafter provided. As such, the nominee for DTC will be the only "Holder" of the ADR evidencing all ADSs held through DTC. Citibank, N.A. (or such other entity as is appointed by DTC or its nominee) may hold the "Balance Certificate" as custodian for DTC. Each Beneficial Owner of ADSs held through DTC must rely upon the procedures of DTC and the DTC Participants to exercise or be entitled to any rights attributable to such ADSs. The DTC Participants shall for all purposes be deemed to have all requisite power and authority to act on behalf of the Beneficial Owners of the ADSs held in the DTC Participants' respective accounts in DTC and the Depositary shall for all purposes be authorized to rely upon any instructions and information given to it by DTC Participants on behalf of Beneficial Owners of ADSs. So long as

ADSs are held through DTC or unless otherwise required by law, ownership of beneficial interests in the ADR registered in the name of the nominee for DTC will be shown on, and transfers of such ownership will be effected only through, records maintained by (i) DTC or its nominee (with respect to the interests of DTC Participants), or (ii) DTC Participants or their nominees (with respect to the interests of clients of DTC Participants).

Section 2.3 Deposit with Custodian. Subject to the terms and conditions of
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this Deposit Agreement and applicable law, Shares or evidence of rights to receive Shares may be deposited by any person (including the Depositary in its individual capacity but subject, however, in the case of the Company or any Affiliate of the Company, to Section 5.7 hereof) at any time, whether or not the transfer books of the Company or the Share Registrar, if any, are closed, by Delivery of the Shares to the Custodian; provided that, Restricted Shares may be
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deposited only upon the terms contemplated in Section 2.12 of the Deposit Agreement. Every deposit of Shares shall be accompanied by the following: (A) (i) in the case of Shares represented by certificates issued in registered form, appropriate instruments of transfer or endorsement, in a form satisfactory to the Custodian, (ii) in the case of Shares represented by certificates in bearer form, of the requisite coupons and talons pertaining thereto, and (iii) in the case of shares delivered by book-entry transfer, confirmation of such book-entry transfer to the Custodian, (B) such certifications and payments (including, without limitation, the Depositary's fees and related charges) and evidence of such payments (including, without limitation, stamping or otherwise marking such Shares by way of receipt) as may be required by the Depositary or the Custodian in accordance with the provisions of this Deposit Agreement and applicable law, (C) if the Depositary so requires, a written order directing the Depositary to execute and deliver to, or upon the written order of, the person(s) stated in such order a Receipt or Receipts for the number of American Depositary Shares representing the Shares so deposited, (D) evidence

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satisfactory to the Depositary (which may be an opinion of counsel) that all necessary approvals have been granted by, or there has been compliance with the rules and regulations of, any applicable governmental agency in the Republic of India, and (E) if the Depositary so requires, (i) an agreement, assignment or instrument satisfactory to the Depositary or the Custodian which provides for the prompt transfer by any person in whose name the Shares are or have been recorded to the Custodian of any distribution, or right to subscribe for additional Shares or to receive other property in respect of any such deposited Shares or, in lieu thereof, such indemnity or other agreement as shall be satisfactory to the Depositary or the Custodian and (ii) if the Shares are registered in the name of the person on whose behalf they are presented for deposit, a proxy or proxies entitling the Custodian to exercise voting rights in respect of the Shares for any and all purposes until the Shares so deposited are registered in the name of the Depositary, the Custodian or any nominee.

Without limiting any other provision of this Deposit Agreement, the Depositary shall instruct the Custodian not to, and the Depositary shall not knowingly, accept for deposit (a) any Restricted Securities, except as contemplated by Section 2.12, provided that the Company has restricted transfer of such Shares to comply with any ownership restrictions referred to in Section 3.5 or under applicable laws nor (b) any fractional Shares or fractional Deposited Securities nor (c) a number of Shares or Deposited Securities which upon application of the ADS to Shares ratio would give rise to fractional ADSs. No Share shall be accepted for deposit unless accompanied by evidence, if any is required by the Depositary, that is reasonably satisfactory to the Depositary or the Custodian that all conditions to such deposit have been satisfied by the person depositing such Shares under the laws and regulations of the Republic of India and any necessary approval has been granted by any governmental body in the Republic of India, if any, which is then performing the function of the regulator of currency exchange. The Depositary may issue ADSs against evidence of rights to receive Shares from the Company, any agent of the Company or any custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares. Such evidence of rights shall consist of written blanket or specific guarantees of ownership of Shares furnished by the Company or any such custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares.

Section 2.4 Registration and Safekeeping of Deposited Securities. The
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Depositary shall instruct the Custodian upon each Delivery of certificates representing registered Shares being deposited hereunder with the Custodian (or other Deposited Securities pursuant to Article IV hereof), together with the other documents above specified, to present such certificate(s), together with the appropriate instrument(s) of transfer or endorsement, duly stamped, to the Share Registrar for transfer and registration of the Shares (as soon as transfer and registration can be accomplished and at the expense of the person for whom the deposit is made) in the name of the Depositary, the Custodian or a nominee of either. Deposited Securities shall be held by the Depositary or by a Custodian for the account and to the order of the Depositary or a nominee in each case on behalf of the Holders and Beneficial Owners, at such place or places as the Depositary or the Custodian shall determine.

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Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under this Deposit Agreement any Shares or other Deposited Securities required to be registered under the provisions of the Securities Act, unless a registration statement is in effect as to such Shares or other Deposited Securities, or any Shares or other Deposited Securities the deposit of which would violate any provisions of the Articles of Association and Memorandum of Association of the Company or applicable law.

Section 2.5 Execution and Delivery of Receipts. The Depositary has made
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arrangements with the Custodian to confirm to the Depositary (i) that a deposit of Shares has been made pursuant to Section 2.3 hereof, (ii) that such Deposited Securities have been recorded in the name of the Depositary, the Custodian or a nominee of either on the shareholders' register maintained by or on behalf of the Company or by the Share Registrar, if any, if registered Shares have been deposited or if deposit is made by book-entry transfer, confirmation of such transfer in the books of the NSDL, (iii) that all required documents and approvals have been received, and (iv) the person(s) to whom or upon whose order American Depositary Shares are deliverable in respect thereof and the number of American Depositary Shares to be so delivered thereby. Such notification may be made by letter, cable, telex, SWIFT message or, at the risk and expense of the person making the deposit, by facsimile or other means of electronic transmission. Upon receiving such notice from the Custodian, the Depositary, subject to the terms and conditions of this Deposit Agreement and applicable law, shall issue the American Depositary Shares representing the Shares so deposited to or upon the order of the person(s) named in the notice delivered to the Depositary and shall execute and deliver at its Principal Office Receipt(s) registered in the name(s) requested by such person(s) and evidencing the aggregate number of American Depositary Shares to which such person(s) are entitled, but only upon payment to the Depositary of the charges of the Depositary for accepting a deposit, issuing American Depositary Shares and executing and delivering such Receipt(s) (as set forth in Section 5.9 and Exhibit B hereto) and all taxes and governmental charges and fees payable in connection with such deposit and the transfer of the Shares and the issuance of the Receipt(s). The Depositary shall only issue American Depositary Shares in whole numbers and deliver American Depositary Receipts evidencing whole numbers of American Depositary Shares. Nothing herein shall prohibit any Pre-Release Transaction upon the terms set forth in this Deposit Agreement.

Section 2.6 Transfer, Combination and Split-up of Receipts.

(a) Transfer. The Registrar shall promptly register the transfer of
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Receipts (and of the ADSs represented thereby) on the books maintained for such purpose and the Depositary shall cancel such Receipts and execute new Receipts

evidencing the same aggregate number of ADSs as those evidenced by the Receipts canceled by the Depositary, shall cause the Registrar to countersign such new Receipts and shall Deliver such new Receipts to or upon the order of the person entitled thereto, if each of the following conditions has been satisfied: (i) the Receipts have been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a transfer thereof, (ii) the

surrendered Receipts have been properly endorsed or are accompanied by proper instruments of transfer (including signature guarantees in accordance with standard securities industry practice), (iii) the surrendered Receipts have been duly stamped (if required by the laws of the State of New York or of the United States), and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B hereto) have been paid, subject, however, in each case, to the terms and conditions of the applicable Receipts, of the Deposit Agreement and of applicable law , in each case as in effect at the time thereof.

(b) Combination & Split Up. The Registrar shall promptly register the split-up or combination of Receipts (and of the ADSs represented thereby) on the books maintained for such purpose and the Depositary shall cancel such Receipts and execute new Receipts for the number of ADSs requested, but in the aggregate not exceeding the number of ADSs evidenced by the Receipts canceled by the Depositary, shall cause the Registrar to countersign such new Receipts and shall Deliver such new Receipts to or upon the order of the Holder thereof, if each of the following conditions has been satisfied: (i) the Receipts have been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a split-up or combination thereof, and (ii) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B hereto) have been paid, subject, however, in each case, to the terms and conditions of the applicable Receipts, of the Deposit Agreement and of applicable law.

(c) Co-Transfer Agents. The Depositary may, with the consent of the Company appoint one or more co-transfer agents for the purpose of effecting transfers, combinations and split-ups of Receipts at designated transfer offices on behalf of the Depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by Holders or persons entitled to such Receipts and will be entitled to protection and indemnity to the same extent as the Depositary. Such co-transfer agents may be removed and substitutes may be appointed by the Depositary, with the consent of the Company. Each co-transfer agent appointed under this Section 2.6 (other than the Depositary) shall give notice in writing to the Depositary and to the Company accepting such appointment and agreeing to be bound by the applicable terms of the Deposit Agreement.

Section 2.7 Surrender of ADSs and Withdrawal of Deposited Securities.

Subject to applicable law, the Holder of ADSs shall be entitled to Delivery (at the Custodian's designated office) to him or upon his order of the Deposited Securities at the time represented by the ADS(s) upon satisfaction of each of the following conditions: (i) the Holder (or a duly authorized attorney of the Holder) has duly Delivered ADSs to the Depositary at its Principal Office (and if applicable, the Receipts evidencing such ADSs) for the purpose of withdrawal of the Deposited Securities represented thereby, (ii) if so required by the Depositary, the Receipts Delivered to the Depositary for such purpose have been properly endorsed in blank or are accompanied by proper instruments of transfer in blank (including signature guarantees in accordance with standard securities industry practice), (iii) if so required by the Depositary, the Holder of the ADSs has

executed and delivered to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of the person(s) designated in such order, and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B hereof) have been paid, subject, however, in each case, to the terms and conditions of the Receipts evidencing the surrendered ADSs, of the Deposit Agreement, of the Company's Articles of Association and Memorandum of Association and of any applicable laws and the rules of the Reserve Bank of India, and to any provisions of or governing the Deposited Securities, in each case as in effect at the time thereof.

Upon satisfaction of each of the conditions specified above, the Depositary shall (i) cancel the ADSs Delivered to it (and, if applicable, the Receipts evidencing the ADSs so Delivered), (ii) direct the Registrar to record the cancellation of the ADSs so Delivered on the books maintained for such purpose, and (iii) direct the Custodian to Deliver (without unreasonable delay) at the Custodian's designated office the Deposited Securities represented by the ADSs so canceled together with any certificate or other document of title for the Deposited Securities, or evidence of the electronic transfer thereof (if available), as the case may be, to or upon the written order of the person(s) designated in the order delivered to the Depositary for such purpose, subject however, in each case, to the terms and conditions of the Deposit Agreement, the

Receipts evidencing the ADSs so canceled, the Articles of Association and Memorandum of Association of the Company, applicable laws and of the rules of the Reserve Bank of India, and to the terms and conditions of or governing the Deposited Securities, in each case as in effect at the time thereof.

The Depositary shall not accept for surrender ADSs representing less than one Share. In the case of the Delivery of ADSs representing a number other than a whole number of Shares, the Depositary shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depositary, either (i) return to the person surrendering such ADSs the number of ADSs representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the ADS(s) so surrendered and remit the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes withheld) to the person surrendering the ADSs.

Notwithstanding anything else contained in any Receipt or the Deposit Agreement, the Depositary may make delivery at the Principal Office of the Depositary of (i) any cash dividends or cash distributions, or (ii) any proceeds from the sale of any distributions of shares or rights, which are at the time held by the Depositary in respect of the Deposited Securities represented by the ADSs surrendered for cancellation and withdrawal. At the request, risk and expense of any Holder so surrendering ADSs, and for the account of such Holder, the Depositary shall direct the Custodian to forward (to the extent permitted by law) any cash or other property (other than securities) held by the Custodian in respect of the Deposited Securities represented by such ADSs to the Depositary for delivery at the Principal Office of the Depositary. Such direction

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shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex or facsimile transmission.

Section 2.8 Limitations on Execution and Delivery, Transfer, etc. of
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Receipts; Suspension of Delivery, Transfer, etc.

(a) Additional Requirements. As a condition precedent to the execution
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and delivery, registration, registration of transfer, split-up, combination or surrender of any Receipt, the delivery of any distribution thereon, or the withdrawal of any Deposited Securities, the Depositary or the Custodian may require (i) payment from the depositor of Shares or presenter of ADSs or of a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto

(including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depositary as provided in Section 5.9 and Exhibit B hereof, (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature or any other matter contemplated by Section 3.1 hereof, and (iii) compliance with (A) any laws or governmental regulations relating to the execution and delivery of Receipts or American Depositary Shares or to the withdrawal of Deposited Securities and (B) such reasonable regulations as the Depositary and the Company may establish consistent with the provisions of the applicable Receipt, this Deposit Agreement and applicable law.

(b) Additional Limitations. The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the deposit of particular Shares may be refused, or the registration of transfer of Receipts in particular instances may be refused, or the registration of transfers of Receipts generally may be suspended, during any period when the transfer books of the Company, the Depositary, a Registrar or the Share Registrar, if any, are closed or if any such action is deemed necessary or advisable by the Depositary or the Company, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the ADSs or Shares are listed, or under any provision of this Deposit Agreement or the applicable Receipt(s) or, under any provision of, or governing, the Deposited Securities, or because of a meeting of shareholders of the Company or for any other reason, subject, in all cases, to Section 7.8 hereof.

(c) Regulatory Restrictions. Notwithstanding any provision of this Deposit Agreement or any Receipt to the contrary, Holders are entitled to surrender outstanding ADSs to withdraw the Deposited Securities at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the Receipts or to the withdrawal of the Deposited Securities, and (iv) other circumstances specifically contemplated by Section I.A.(l) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time).

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Section 2.9 Lost Receipts, etc. In case any Receipt shall be mutilated, destroyed, lost, or stolen, the Depositary shall execute and deliver a new Receipt of like tenor at the expense of the Holder (a) in the case of a

mutilated Receipt, in exchange of and substitution for such mutilated Receipt upon cancellation thereof, or (b) in lieu of and in substitution for such destroyed, lost, or stolen Receipt, after the Holder thereof (i) has submitted to the Depositary a written request for such exchange and substitution before the Depositary has notice that the Receipt has been acquired by a bona fide purchaser, (ii) has provided such security or indemnity (including an indemnity bond) as may be required by the Depositary to save it and any of its agents harmless, and (iii) has satisfied any other reasonable requirements imposed by the Depositary, including, without limitation, evidence satisfactory to the Depositary of such destruction, loss or theft of such Receipt, the authenticity thereof and the Holder's ownership thereof.

Section 2.10 Cancellation and Destruction of Surrendered Receipts;

Maintenance of Records. All Receipts surrendered to the Depositary shall be
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canceled by the Depositary. Canceled Receipts shall not be entitled to any benefits under this Deposit Agreement or be valid or enforceable against the Depositary for any purpose. The Depositary is authorized to destroy Receipts so canceled, provided the Depositary maintains a record of all destroyed Receipts. Any ADSs held in book-entry form (i.e., through accounts at DTC) shall be deemed canceled when the Depositary causes the number of ADSs evidenced by the Balance Certificate to be reduced by the number of ADSs surrendered (without the need to physically destroy the Balance Certificate).

Section 2.11 Partial Entitlement ADSs. In the event any Shares are
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deposited which entitle the holders thereof to receive a per-share distribution or other entitlement in an amount different from the Shares then on deposit (the Shares then on deposit collectively, "Full Entitlement Shares" and the Shares with different entitlement, "Partial Entitlement Shares"), the Depositary shall (i) cause the Custodian to hold Partial Entitlement Shares separate and distinct from Full Entitlement Shares, and (ii) subject to the terms of this Agreement, issue ADSs and deliver ADRs representing Partial Entitlement Shares which are separate and distinct from the ADSs and ADRs representing Full Entitlement Shares, by means of separate CUSIP numbering and legending (if necessary) ("Partial Entitlement ADSs/ADRs" and "Full Entitlement ADSs/ADRs", respectively). If and when Partial Entitlement Shares become Full Entitlement Shares, the Depositary shall (a) give notice thereof to Holders of Partial Entitlement ADSs and give Holders of Partial Entitlement ADRs the opportunity to exchange such Partial Entitlement ADRs for Full Entitlement ADRs, (b) cause the Custodian to transfer the Partial Entitlement Shares into the account of the Full Entitlement Shares, and (c) take such actions as are necessary to remove the distinctions between (i) the Partial Entitlement ADRs and ADSs, on the one hand, and (ii) the Full Entitlement ADRs and ADSs on the other. Holders and Beneficial Owners of Partial Entitlement ADSs shall only be entitled to the entitlements of Partial Entitlement Shares. Holders and Beneficial Owners of

Full Entitlement ADSs shall be entitled only to the entitlements of Full Entitlement Shares. All provisions and conditions of this Deposit Agreement shall apply to Partial Entitlement ADRs and ADSs to the same extent as Full Entitlement ADRs and ADSs, except as contemplated by this Section 2.11. The Depositary is

authorized to take any and all other actions as may be necessary (including, without limitation, making the necessary notations on Receipts) to give effect to the terms of this Section 2.11. The Company agrees to give timely written notice to the Depositary if any Shares issued or to be issued are Partial Entitlement Shares and shall assist the Depositary with the establishment of procedures enabling the identification of Partial Entitlement Shares upon Delivery to the Custodian.

Section 2.12 Restricted ADSs. The Depositary shall, at the request and expense of the Company, establish procedures enabling the deposit hereunder of Shares that are Restricted Securities in order to enable the holder of such Shares to hold its ownership interests in such Restricted Shares in the form of ADSs issued under the terms hereof (such Shares, "Restricted Shares"). Upon receipt of a written request from the Company to accept Restricted Shares for deposit hereunder, the Depositary agrees to establish procedures permitting the deposit of such Restricted Shares and the issuance of ADSs representing such deposited Restricted Shares (such ADSs, the "Restricted ADSs," and the ADRs evidencing such Restricted ADSs, the "Restricted ADRs"). The Company shall assist the Depositary in the establishment of such procedures and agrees that it shall take all steps necessary and satisfactory to the Depositary to insure that the establishment of such procedures does not violate the provisions of the Securities Act or any other applicable laws. The depositors of such Restricted Shares and the holders of the Restricted ADSs may be required prior to the deposit of such Restricted Shares, the transfer of the Restricted ADRs and the Restricted ADSs evidenced thereby or the withdrawal of the Restricted Shares represented by Restricted ADSs to provide such written certifications or agreements as the Depositary or the Company may require. The Company shall provide to the Depositary in writing the legend(s) to be affixed to the Restricted ADRs, which legends shall (i) be in a form reasonably satisfactory to the Depositary and (ii) contain the specific circumstances under which the Restricted ADRs and the Restricted ADSs represented thereby may be transferred or the Restricted Shares withdrawn. The Restricted ADSs issued upon the deposit of Restricted Shares shall be separately identified on the books of the Depositary and the Restricted Shares so deposited shall be held separate and distinct from the other Deposited Securities held hereunder. The Restricted Shares and the Restricted ADSs shall not be eligible for Pre-Release Transactions described in Section 5.10. The Restricted ADSs shall not be

eligible for inclusion in any book-entry settlement system, including, without limitation, DTC and shall not in any way be fungible with the ADSs issued under the terms hereof that are not Restricted ADSs. The Restricted ADRs and the Restricted ADSs evidenced thereby shall be transferable only by the Holder thereof upon delivery to the Depositary of (i) all documentation otherwise contemplated by this Deposit Agreement and (ii) an opinion of counsel reasonably satisfactory to the Depositary setting forth, inter alia, the conditions upon
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which the Restricted ADR presented is, and the Restricted ADSs evidenced thereby are, transferable by the Holder thereof under applicable securities laws and the transfer restrictions contained in the legend set forth on the Restricted ADR presented for transfer. Except as set forth in this Section 2.12 and except as required by applicable law, the Restricted ADRs and the Restricted ADSs evidenced thereby shall be treated as ADRs and ADSs issued and outstanding under the terms of the Deposit Agreement.

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ARTICLE III.

CERTAIN OBLIGATIONS OF HOLDERS
AND BENEFICIAL OWNERS OF ADSs

Section 3.1 Proofs, Certificates and Other Information. Any person
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presenting Shares for deposit, any Holder and any Beneficial Owner may be required by the Company or the Depository, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary, the Company and the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval and approval for deposit, legal or beneficial ownership of ADSs and Deposited Securities, compliance with applicable laws and regulations and the terms of this Deposit Agreement and the provisions of, or governing, the Deposited Securities, to execute such certifications and to make such representations and warranties, and to provide such other information and documentation (or, in the case of Shares in registered form presented for deposit, such information relating to the registration on the books of the Company or of the appointed agent of the Company for the registration and transfer of Shares) as the Depositary or the Custodian may deem necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations hereunder. The Depositary and the Registrar, as applicable, may withhold the execution or Delivery or registration of transfer of any Receipt or the distribution or sale of any dividend or distribution of rights or of the proceeds thereof or, to the extent not limited by the terms of Section 7.8 hereof, the Delivery of any Deposited Securities until such proof or other information is filed or such certifications are executed, or such

representations are made, or such other documentation or information provided, in each case to the Depositary's, the Registrar's and the Company's satisfaction. The Depositary shall provide the Company, in a timely manner, with copies or originals (if necessary and appropriate) of (i) any such proofs of citizenship or residence, taxpayer status, or exchange control approval or approval for deposit which it receives from Holders and Beneficial Owners, and (ii) any other information or documents which the Depositary shall request and receive from any Holder or Beneficial Owner or any person presenting Shares for deposit or ADSs for cancellation and withdrawal. Nothing herein shall obligate the Depositary to (i) obtain any information about Holders or Beneficial Owners for the Company if not provided by the Holders or Beneficial Owners or otherwise readily available from the Depository's records maintained hereunder, or (ii) verify or vouch for the accuracy of the information about Holders or Beneficial Owner so provided by the Holders or Beneficial Owners.

Section 3.2 Liability for Taxes and Other Charges. If any tax or other
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governmental charge shall become payable with respect to any ADR or any Deposited Securities or American Depositary Shares, such tax or other governmental charge shall be payable by the Holders and Beneficial Owners to the Depositary. The Company, the Custodian and/or the Depositary may withhold or deduct from any distributions made in respect of Deposited Securities and may sell for the account of a Holder and/or Beneficial Owner any or all of the Deposited Securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, the Holder and the Beneficial Owner remaining liable for any

deficiency. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue ADSs, to deliver ADRs, register the transfer, split-up or combination of ADRs and (subject to Section 7.8) the withdrawal of Deposited Securities until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner may be required from time to time to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for such Holder and/or Beneficial Owner.

Section 3.3 Representations and Warranties on Deposit of Shares. Each
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person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that such Shares and each certificate therefor are validly issued and outstanding, fully paid and nonassessable and that any preemptive rights have been validly waived or exercised, and that the person making such

deposit is duly authorized so to do. Except as contemplated by Section 2.12 of this Deposit Agreement, each such person shall also be deemed to represent that Shares deposited by that person are not Restricted Securities, and that the deposit of Shares or sale of Receipts by that person is not restricted, under the Securities Act. Such representations and warranties shall survive the deposit of Shares and issuance of Receipts or adjustments in the Depositary's records in respect thereof.

Section 3.4 Compliance with Information Requests. Notwithstanding any
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other provision of this Deposit Agreement, each Holder and Beneficial Owner agrees to comply with the rules and requirements of the Securities and Exchange Board of India, Reserve Bank of India, and any stock exchange on which the Shares are, or will be, registered, traded or listed or the Articles of Association and Memorandum of Association of the Company, which require notification to the Company of interests in Deposited Securities, inter alia, as to certain acquisitions or depositions of shares (or share equivalents), the capacity in which such Holder or Beneficial Owner owns American Depositary Shares (and Shares as the case may be) and regarding the identity of any other person(s) interested in such American Depositary Shares and the nature of such interest and various other matters, whether or not they are Holders and/or Beneficial Owners at the time of such request. The Depositary agrees to forward to the Company any such information so received by the Depositary from the Holders or Beneficial Owners.

Section 3.5 Ownership Restrictions. Notwithstanding any other provision in
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this Deposit Agreement or any Receipt, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed by applicable law and regulations, or the Articles of Association and Memorandum of Association of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of the American Depositary Shares where such transfer may result in the total number of Shares represented by the American Depositary Shares beneficially owned by a single Holder or Beneficial Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of any Holder or Beneficial Owner in excess of the limits set forth in the preceding sentence,

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including, but not limited to, the imposition of restrictions on the transfer of American Depositary Shares, the removal or limitation of voting rights or mandatory sale or disposition on behalf of a Holder or Beneficial Owner of the Shares represented by the American Depositary Shares held by such Holder or Beneficial Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Association and Memorandum of Association of the Company.

ARTICLE IV.

THE DEPOSITED SECURITIES

Section 4.1 Cash Distributions. Whenever the Depositary receives confirmation from the Custodian of the receipt of any cash dividend or other cash distribution on any Deposited Securities, or receives proceeds from the sale of any Shares, rights, securities or other entitlements under the terms hereof, the Depositary will (i) if at the time of receipt thereof any amounts received in a Foreign Currency can in the judgment of the Depositary (pursuant to Section 4.8 hereof) be converted on a practicable basis into Dollars transferable to the United States, promptly convert or cause to be converted such cash dividend, distribution or proceeds into Dollars (on the terms described in Section 4.8), (ii) if applicable, establish the ADS Record Date upon the terms described in Section 4.9, and (iii) promptly distribute promptly the amount thus received (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary as provided in Exhibit B hereto and (b) taxes withheld) to the Holders entitled thereto as of the ADS Record Date in proportion to the number of American Depositary Shares held as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributed shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of ADSs outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the American Depositary Shares representing such Deposited Securities shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of any payment thereof by the Company shall be forwarded by the Company to the Depositary upon request.

Section 4.2 Distribution in Shares. If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Company shall cause such Shares to be deposited with the Custodian and registered, as the case may be, in the name of the Depositary, the Custodian or their respective nominees. Upon receipt of confirmation of such deposit from the Custodian, the Depositary shall establish the ADS Record Date upon the terms described in Section 4.9 and either (i) the Depositary shall, subject to Section 5.9 hereof, distribute to the Holders as of the ADS Record Date in proportion to the number of American

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Depositary Shares held as of the ADS Record Date, additional American Depositary Shares, which represent in the aggregate the number of Shares received as such dividend, or free distribution, subject to the other terms of this Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary as in Exhibit B hereto and (b) taxes), or (ii) if additional American Depositary Shares are not so distributed, each American Depositary Share issued and outstanding after the ADS Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional integral number of Shares distributed upon the Deposited Securities represented thereby (net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary as in Exhibit B hereto and (b) taxes). In lieu of delivering fractional American Depositary Shares, the Depositary shall sell the number of Shares or American Depositary Shares, as the case may be, represented by the aggregate of such fractions and distribute the net proceeds upon the terms described in Section 4.1. In the event that the Depositary determines that any distribution in property (including Shares) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, or, if the Company in the fulfillment of its obligation under Section 5.7 hereof, has furnished an opinion of U.S. counsel determining that Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale (after deduction of such (a) taxes and (b) fees and charges of, and expenses incurred by, the Depositary) to Holders entitled thereto upon the terms described in Section 4.1. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of this Deposit Agreement.

Section 4.3 Elective Distributions in Cash or Shares. Whenever the
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Company intends to distribute a dividend payable at the election of the holders of Shares in cash or in additional Shares, the Company shall give notice thereof to the Depositary at least 60 days prior to the proposed distribution stating whether or not it wishes such elective distribution to be made available to Holders of ADSs. Upon receipt of notice indicating that the Company wishes such elective distribution to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such elective distribution available to the Holders of ADSs. The

Depositary shall make such elective distribution available to Holders only if (i) the Depositary shall have determined, in consultation with the Company, that such distribution is reasonably practicable and (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7. If the above conditions are not satisfied, the Depositary shall, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in the Republic of India in respect of the Shares for which no election is made, either (X) cash upon the terms described in Section 4.1 or (Y) additional ADSs representing such additional Shares upon the terms described in Section 4.2. If the above conditions are satisfied, the Depositary shall establish an ADS Record Date (on the terms described in Section 4.9) and establish procedures to enable Holders to elect the receipt of the proposed dividend in cash or in additional ADSs. The Company shall assist the Depositary in

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establishing such procedures to the extent necessary. If a Holder elects to receive the proposed dividend (X) in cash, the dividend shall be distributed upon the terms described in Section 4.1, or (Y) in ADSs, the dividend shall be distributed upon the terms described in Section 4.2. Nothing herein shall obligate the Depositary to make available to Holders a method to receive the elective dividend in Shares (rather than ADSs). There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares.

Section 4.4 Distribution of Rights to Purchase Additional ADSs.

(a) Distribution to ADS Holders. Whenever the Company intends to
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distribute to the holders of the Deposited Securities rights to subscribe for additional Shares, the Company shall give notice thereof to the Depositary at least 60 days prior to the proposed distribution stating whether or not it wishes such rights to be made available to Holders of ADSs. Upon receipt of a notice indicating that the Company wishes such rights to be made available to Holders of ADSs, the Depositary shall consult with the Company to determine, and the Company shall assist the Depositary in its determination, whether it is lawful and reasonably practicable to make such rights available to the Holders. The Depositary shall make such rights available to Holders only if (i) the Company shall have requested that such rights be made available to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7, and (iii) the Depositary shall have determined, in consultation with the Company, that such distribution of rights is reasonably practicable. In the event any of the conditions set forth above are not satisfied or if the

Company requests that the rights not be made available to Holders of ADSs, the Depositary shall proceed with the sale of the rights as contemplated in Section 4.4(b) below. In the event all conditions set forth above are satisfied, the Depositary shall establish an ADS Record Date (upon the terms described in Section 4.9) and establish procedures to (x) distribute rights to purchase additional ADSs (by means of warrants or otherwise), (y) to enable the Holders to exercise such rights (upon payment of the subscription price and of the applicable (a) fees and charges of, and expenses incurred by, the Depositary as provided in Exhibit B hereto and (b) taxes), and (z) to deliver ADSs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent necessary in establishing such procedures. Nothing herein shall obligate the Depositary to make available to the Holders a method to exercise rights to subscribe for Shares (rather than ADSs).

(b) Sale of Rights. If (i) the Company does not request the Depositary
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to make the rights available to Holders or requests that the rights not be made available to Holders, (ii) the Depositary fails to receive satisfactory documentation within the terms of Section 5.7 or determines, in consultation with the Company, that it is not reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public or private sale) as it may deem practical. The Company shall assist the Depositary to the extent necessary to determine such legality and practicability. The Depositary shall, upon such

sale, convert and distribute proceeds of such sale (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms set forth in Section 4.1.

(c) Lapse of Rights. If the Depositary is unable to make any rights
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available to Holders upon the terms described in Section 4.4(a) or to arrange for the sale of the rights upon the terms described in Section 4.4(b), the Depositary shall allow such rights to lapse.

The Depositary shall not be responsible for (i) any failure to determine that it may be practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything to the contrary in this Section 4.4, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate is required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (or other applicable law) covering such offering is in effect or (ii) unless the Company furnishes the Depositary opinion(s) of counsel for the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed in each case reasonably satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws.

In the event that the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders of American Depositary Shares representing such Deposited Securities shall be reduced accordingly. In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to receive or exercise rights on the same terms and conditions as the holders of Shares or be able to exercise such rights. Nothing herein shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights.

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Section 4.5 Distributions Other Than Cash, Shares or Rights to Purchase
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Shares.

(a) Whenever the Company intends to distribute to the holders of Deposited Securities property other than cash, Shares or rights to purchase additional Shares, the Company shall give timely notice thereof to the

Depositary and shall indicate whether or not it wishes such distribution to be made to Holders of ADSs. Upon receipt of a notice indicating that the Company wishes such distribution be made to Holders of ADSs, the Depositary shall consult with the Company, and the Company shall assist the Depositary, to determine whether such distribution to Holders is lawful and reasonably practicable. The Depositary shall not make such distribution unless (i) the Company shall have requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received satisfactory documentation within the terms of Section 5.7, and (iii) the Depositary shall have determined that such distribution is reasonably practicable.

(b) Upon receipt of satisfactory documentation and the request of the Company to distribute property to Holders of ADSs and after making the requisite determinations set forth in (a) above, the Depositary shall distribute the property so received to the Holders of record, as of the ADS Record Date, in proportion to the number of ADSs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary as provided in Exhibit B hereto, and (ii) net of any taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

(c) If (i) the Company does not request the Depositary to make such distribution to Holders or requests not to make such distribution to Holders, (ii) the Depositary does not receive satisfactory documentation within the terms of Section 5.7, or (iii) the Depositary determines that all or a portion of such distribution is not reasonably practicable, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (i) cause the proceeds of such sale, if any, to be converted into Dollars and (ii) distribute the proceeds of such conversion received by the Depositary (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary as contemplated in Exhibit B hereto and (b) taxes) to the Holders as of the ADS Record Date upon the terms of Section 4.1. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems reasonably practicable under the circumstances.

Section 4.6 Distributions with Respect to Deposited Securities in Bearer
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Form. Subject to the terms of this Article IV, distributions in respect of
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Deposited Securities that are held by the Depositary in bearer form shall be made to the Depositary for the account of the respective Holders of Receipts with respect to which any such distribution is made upon due presentation by the

Depositary or the Custodian to the Company of any relevant coupons, talons, or certificates. The Company shall promptly notify the Depositary of such distributions. The

Depositary or the Custodian shall promptly present such coupons, talons or certificates, as the case may be, in connection with any such distribution.

Section 4.7 Redemption. If the Company intends to exercise any right of redemption in respect of any of the Deposited Securities, the Company shall give notice thereof to the Depositary as soon as practicable prior to the intended date of redemption which notice shall set forth the particulars of the proposed redemption. Upon receipt of (i) such notice and (ii) satisfactory documentation given by the Company to the Depositary within the terms of Section 5.7, and only if the Depositary shall have determined that such proposed redemption is practicable, the Depositary shall provide to each Holder a notice setting forth the intended exercise by the Company of the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Securities in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary as provided in Exhibit B hereto, and (b) taxes), retire ADSs and cancel ADRs upon delivery of such ADSs by Holders thereof and the terms set forth in Sections 4.1 and 6.2 hereof. If less than all outstanding Deposited Securities are redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per ADS shall be the dollar equivalent of the per share amount received by the Depositary (adjusted to reflect the ADS(s) to Share(s) ratio) upon the redemption of the Deposited Securities represented by American Depositary Shares (subject to the terms of Section 4.8 hereof and the applicable fees and charges of, and expenses incurred by, the Depositary, and taxes) multiplied by the number of Deposited Securities represented by each ADS redeemed.

Section 4.8 Conversion of Foreign Currency. Whenever the Depositary or the Custodian shall receive Foreign Currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, which in the judgment of the Depositary can at such time be converted on a practicable basis, by sale or in any other manner that it may determine in accordance with applicable law, into Dollars transferable to the United States and distributable to the Holders entitled thereto, the Depositary shall, as soon as reasonably practicable, convert or cause to be converted, by sale or in any other manner that it may determine, such Foreign Currency into Dollars, and shall promptly distribute such Dollars (net of any applicable fees contemplated in Exhibit B hereto, any reasonable and customary expenses incurred in such conversion and any expenses incurred on behalf of the Holders in complying with currency exchange control or other governmental requirements) in accordance with the terms of the applicable sections of this Deposit Agreement. If the Depositary shall have distributed warrants or other instruments that entitle the holders thereof to such Dollars, the Depositary shall distribute such Dollars to the holders of such warrants and/or instruments upon surrender thereof for cancellation, in either case without liability for interest thereon. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Holders on account of any application of exchange restrictions or otherwise.

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If such conversion or distribution generally or with regard to a particular Holder can be effected only with the approval or license of any government or agency thereof, the Depositary shall have authority to file such application for approval or license, if any, as it may deem desirable. In no event, however, shall the Depositary be obligated to make such a filing.

If at any time the Depositary shall determine that in its judgment the conversion of any Foreign Currency and the transfer and distribution of proceeds of such conversion received by the Depositary is not practicable or lawful, or if any approval or license of any governmental authority or agency thereof that is required for such conversion, transfer and distribution is denied or, in the opinion of the Depositary, not obtainable at a reasonable cost or within a reasonable period, the Depositary may, in its discretion after notice to the Company, (i) make such conversion and distribution in Dollars to the Holders for whom such conversion, transfer and distribution is lawful and practicable, (ii) distribute the Foreign Currency (or an appropriate document evidencing the right to receive such Foreign Currency) to Holders for whom this is lawful and practicable or (iii) hold (or cause the Custodian to hold) such Foreign Currency (without liability for interest thereon) for the respective accounts of the Holders entitled to receive the same.

Section 4.9 Fixing of ADS Record Date. Whenever the Depositary shall
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receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Securities entitled to receive any distribution (whether in cash, Shares, rights, or other distribution), or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the

Depositary shall receive notice of any meeting of, or solicitation of consents or of proxies, of holders of Shares or other Deposited Securities, or whenever the Depositary shall find it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix a record date (the "ADS Record Date") for the determination of the Holders of Receipts who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, to give or withhold such consent, to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each American Depositary Share. The Depositary shall, to the extent practicable, establish the ADS Record Date as closely as possible to the applicable record date for the Deposited Securities (if any) set by the Company in the Republic of India. Subject to applicable law and the provisions of Section 4.1 through 4.8 and to the other terms and conditions of this Deposit Agreement, only the Holders of Receipts at the close of business in New York on such ADS Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

Section 4.10 Voting of Deposited Securities. As soon as practicable after
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receipt of notice of any meeting at which the holders of Shares are entitled to vote, or of solicitation of consents or proxies from holders of Shares or other Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of consent or proxy. The Depositary shall, if requested by the Company in writing in a timely manner (the Depositary having no obligation to take any further action if the request shall not have been received by the

Depositary at least 30 days prior to the date of such vote or meeting), at the Company's expense and provided no U.S. legal prohibitions exist, distribute to Holders: (a) such notice of meeting or solicitation of consent or proxy, (b) a statement that the Holders at the close of business on the ADS Record Date will be entitled, subject to any applicable law, the provisions of this Deposit Agreement, the Articles of Association and Memorandum of Association of the Company and the provisions of or governing the Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Shares or other Deposited Securities represented by such Holder's American Depositary Shares, and (c) a brief statement as to the manner in which such instructions may be given. Voting instructions may be given only in respect of a number of American Depositary Shares representing an integral number of Shares or other Deposited Securities. Upon the timely receipt from a Holder of American Depositary Shares as of the ADS Record Date of voting instructions in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law, the provisions of this Deposit Agreement, the Articles of Association and Memorandum of Association of the Company and the provisions of the Deposited Securities, to vote or cause the Custodian to vote the Shares and/or other Deposited Securities (in person or by proxy) represented by such Holder's American Depositary Shares, either on a show of hands, in which case the Custodian shall be instructed to vote in accordance with instructions received from Holders of a majority of the American Depositary Shares for which instructions have been given to the Depositary, or on a poll, in which case the Custodian shall be instructed to vote in accordance with the instructions received from the Holders giving instructions.

The Company's Articles of Association and Memorandum of Association provide that a poll may be demanded at any general meeting by a holder or holders holding (a) at least 10% of the total Shares entitled to vote on a resolution or (b) Shares with an aggregate paid up capital of at least Rs.50,000. As a result, unless specifically instructed by a Holder or Holders holding (a) at least 10% of the total Shares (represented by such Holder(s)' American Depositary Shares) entitled vote on a resolution or (b) Shares (represented by such Holder(s)' American Depositary Shares) with an aggregate paid up capital of at least Rs.50,000, the Custodian, acting on behalf of the Holders upon the instructions of the Depositary, may not join in demanding a poll. The Company's Articles of Association and Memorandum of Association (as in effect on the date hereof) further provide that the Chairman of the Board of the Company shall cast the deciding vote, in the event of a tie.

Neither the Depositary nor the Custodian shall, under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of the Shares or other Deposited Securities represented by American Depositary Shares except pursuant to and in accordance with such written instructions from Holders. If voting instructions are received by the Depositary from any Holder on or before the date established by the Depositary for the receipt of such instructions, which are signed but without further indication as to specific instructions, the Depositary will deem such Holder to have instructed the Depositary to vote in favor of the items set forth in such instructions. Shares or other Deposited Securities represented by American Depositary Shares

24

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for which no specific voting instructions are received by the Depositary from the Holder shall not be voted.

Notwithstanding anything else contained in this Deposit Agreement, the

Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Shares or other Deposited Securities if the taking of such action would violate U.S. laws. The Company agrees to take any and all actions reasonably necessary to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Shares or other Deposited Securities and to deliver to the Depositary an opinion of U.S. counsel addressing any actions requested to be taken if so requested by the Depositary.

There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

Section 4.11 Changes Affecting Deposited Securities. Upon any change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting the Company or to which it is a party, any securities which shall be received by the Depositary or the Custodian in exchange for, or in conversion of or replacement of or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Securities under this Deposit Agreement, and the Receipts shall, subject to the provisions of this Deposit Agreement and applicable law, evidence American Depositary Shares representing the right to receive such additional securities. The Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement and receipt of an opinion of counsel to the Company reasonably satisfactory to the Depositary that such distributions are not in violation of any applicable laws or regulations, execute and deliver additional Receipts as in the case of a stock dividend on the Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts, in either case, as well as in the event of newly deposited Shares, with necessary modifications to the form of Receipt contained in Exhibit A hereto, specifically describing such new Deposited Securities or corporate change. The Company agrees to, jointly with the Depositary, amend the Registration Statement on Form F-6 as filed with the Commission to permit the issuance of such new form of Receipts. Notwithstanding the foregoing, in the event that any security so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall, if the Company requests, subject to receipt of an opinion of Company's counsel reasonably satisfactory to the Depositary that such action is not in violation of any applicable laws or regulations, sell such securities at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of (a) fees and charges of, and expenses incurred by, the Depositary as provided in Exhibit B hereto and (b) taxes) for the account of the Holders otherwise entitled to such securities upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Section 4.1. The Depositary shall not be

responsible for (i) any failure to determine that it may be lawful or feasible to make such securities available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such securities.

Section 4.12 Available Information. The Company is subject to the periodic reporting requirements of the Exchange Act and accordingly files certain information with the Commission. These reports and documents can be inspected and copied at the public reference facilities maintained by the Commission located at Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549.

Section 4.13 Reports. The Depositary shall make available for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depositary, the Custodian, or the nominee of either of them as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Depositary shall also provide to Holders copies of such reports when furnished by the Company pursuant to Section 5.6.

Section 4.14 List of Holders. Promptly upon written request by the Company, the Depositary shall furnish to it a list, as of a recent date, of the names, addresses and holdings of American Depositary Shares of all Holders.

Section 4.15 List of Restricted Securities Owners. Upon each issuance by the Company of any securities that are Restricted Securities, the Company shall provide the Depositary a list setting forth, to the actual knowledge of the Company, those persons or entities who beneficially acquired Restricted Securities. The Company agrees to advise in writing each of the persons or entities so listed that such Restricted Securities are ineligible for deposit hereunder (except as contemplated by Section 2.12 hereof). The Depositary may rely on such a list or update but shall not be liable for any action or omission made in reliance thereon.

Section 4.16 Taxation. The Depositary will, and will instruct the

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Custodian to, forward to the Company or its agents such information from its records as the Company may reasonably request to enable the Company or its agents to file the necessary tax reports with governmental authorities or agencies. The Depositary, the Custodian or the Company and its agents may file such reports as are necessary to reduce or eliminate applicable taxes on dividends and on other distributions in respect of Deposited Securities under applicable tax treaties or laws for the Holders and Beneficial Owners. In accordance with instructions from the Company and to the extent practicable, the Depositary or the Custodian will take reasonable administrative actions to obtain tax refunds, reduced withholding of tax at source on dividends and other benefits under applicable tax treaties or laws with respect to dividends and other distributions on the Deposited Securities. As a condition to receiving such benefits, Holders and Beneficial Owners of American Depositary Shares may be required from time to time, and in a timely manner, to file such proof of taxpayer status, residence and beneficial ownership (as applicable), to execute such certificates and to make such representations and warranties, or to provide any other information

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or documents, as the Depositary or the Custodian may deem necessary or proper to fulfill the Depositary's or the Custodian's obligations under applicable law. The Holders and Beneficial Owners shall indemnify the Depositary, the Company, the Custodian and any of their respective directors, employees, agents and Affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

If the Company (or any of its agents) withholds from any distribution any amount on account of taxes or governmental charges, or pays any other tax in respect of such distribution (i.e. stamp duty tax, capital gains or other similar tax), the Company shall (and shall cause such agent to) remit promptly to the Depositary information about such taxes or governmental charges withheld or paid, and, if so requested, the tax receipt (or other proof of payment to the applicable governmental authority) therefor, in each case, in a form reasonably satisfactory to the Depositary. The Depositary shall, to the extent required by U.S. law, report to Holders any taxes withheld by it or the Custodian, and, if such information is provided to it by the Company, any taxes withheld by the Company. The Depositary and the Custodian shall not be required to provide the Holders with any evidence of the remittance by the Company (or its agents) of any taxes withheld, or of the payment of taxes by the Company, except to the extent the evidence is provided by the Company to the Depositary. Neither the Depositary nor the Custodian shall be liable for the failure by any Holder or Beneficial Owner to obtain the benefits of credits on the basis non-U.S. tax paid against such Holder's or Beneficial Owner's income tax liability.

The Depositary is under no obligation to provide the Holders and Beneficial Owners with any information about the tax status of the Company. The Depositary shall not incur any liability for any tax consequences that may be incurred by Holders and Beneficial Owners on account of their ownership of the American Depositary Shares, including without limitation, tax consequences resulting from the Company (or any of its subsidiaries) being treated as a "Foreign Personal Holding Company," or as a "Passive Foreign Investment Company" (in each case as defined in the U.S. Internal Revenue Code and the regulations issued thereunder) or otherwise.

ARTICLE V.

THE DEPOSITARY, THE CUSTODIAN AND THE COMPANY

Section 5.1 Maintenance of Office and Transfer Books by the Registrar.

Until termination of this Deposit Agreement in accordance with its terms, the Registrar shall maintain in the Borough of Manhattan, the City of New York, an office and facilities for the execution and delivery, registration of issuances, registration of transfers, combination and split-up of Receipts, the surrender of Receipts for the purpose of withdrawal of Deposited Securities in accordance with the provisions of this Deposit Agreement.

27

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The Registrar shall keep books for the registration of issuances and transfers of Receipts which at all reasonable times shall be open for inspection by the Company and by the Holders of such Receipts, provided that such inspection shall not be, to the Registrar's knowledge, for the purpose of communicating with Holders of such Receipts in the interest of a business or object other than the business of the Company or other than a matter related to this Deposit Agreement or the Receipts.

The Registrar may close the transfer books with respect to the Receipts, at any time or from time to time, when deemed necessary or advisable by it in good faith in connection with the performance of its duties hereunder, or at the reasonable written request of the Company subject, in all cases, to Section 7.8 hereof.

If any Receipts or the American Depositary Shares evidenced thereby are listed on one or more stock exchanges or automated quotation systems in the United States, the Depositary shall act as Registrar or, upon the written consent of the Company, appoint a Registrar or one or more co-registrars for registration of Receipts and transfers, combinations and split-ups, and to countersign such Receipts in accordance with any requirements of such exchanges or systems. Such Registrar or co-registrars may be removed and a substitute or substitutes appointed by the Depositary upon the written consent of the Company.

Section 5.2 Exoneration. Neither the Depositary nor the Company shall be
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obligated to do or perform any act which is inconsistent with the provisions of this Deposit Agreement or incur any liability to any Holder or Beneficial Owner (i) if the Depositary or the Company shall be prevented or forbidden from, or delayed in, doing or performing any act or thing required by the terms of this Deposit Agreement, by reason of any provision of any present or future law or regulation of the United States, the Republic of India or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of the possible criminal or civil penalties or restraint, or by reason of any provision, present or future of the Articles of Association and Memorandum of Association of the Company or any provision of or governing any Deposited Securities, or by reason of any act of God or war or other circumstances beyond its control (including, without limitation, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, revolutions, rebellions, explosions and computer failure), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement or in the Articles of Association and Memorandum of Association of the Company or provisions of or governing Deposited Securities, (iii) for any action or inaction in reliance upon the advice or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of this Deposit Agreement, made available to Holders of American Depositary Shares or (v) for any consequential or punitive damages for any breach of the terms of this Deposit Agreement.

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The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

No disclaimer of liability under the Securities Act is intended by any provision of this Deposit Agreement.

Section 5.3 Standard of Care. The Company and its agents assume no
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obligation and shall not be subject to any liability under this Deposit Agreement or the Receipts to Holders or Beneficial Owners or other persons, except that the Company and its agents agree to perform their obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

The Depositary and its agents assume no obligation and shall not be subject to any liability under this Deposit Agreement or the Receipts to Holders or Beneficial Owners or other persons, except that the Depositary and its agents agree to perform their obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons, or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the Receipts, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast or the effect of any vote, provided that any such action or omission is in good faith and in accordance with the terms of this Deposit Agreement. The Depositary shall not incur any liability for any failure to determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Securities, for the validity or worth of the Deposited Securities or for any tax consequences that may result from the ownership of ADSs, Shares or Deposited Securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of this Deposit Agreement or for the failure or timeliness of any notice from the Company.

Section 5.4 Resignation and Removal of the Depositary; Appointment of
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Successor Depositary. The Depositary may at any time resign as Depositary
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hereunder by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2 hereof), or (ii) upon the appointment by the

Company of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by the Company by written notice of such removal, which removal shall be effective on the earlier of (i) the 90th day after delivery thereof to the Depositary (whereupon the Depositary shall be entitled to take the actions contemplated in Section 6.2 hereof), or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as hereinafter provided.

In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its best efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. Every successor depositary shall be required by the Company to execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor (other than as contemplated in Sections 5.8 and 5.9). The predecessor depositary, upon payment of all sums due it and on the written request of the Company shall, (i) execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder (other than as contemplated in Sections 5.8 and 5.9), (ii) duly assign, transfer and deliver all right, title and interest to the Deposited Securities to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding Receipts and such other information relating to Receipts and Holders thereof as the successor may reasonably request. Any such successor depositary shall promptly provide notice of its appointment to such Holders.

Any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

Section 5.5 The Custodian. The Depositary has initially appointed
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Citibank, N.A. - Mumbai Branch as Custodian for the purpose of this Deposit Agreement. The Custodian or its successors in acting hereunder shall be subject at all times and in all respects to the direction of the Depositary for the Shares for which the Custodian acts as custodian and shall be responsible solely to it. If any Custodian resigns or is discharged from its duties hereunder with respect to any Deposited Securities and no other Custodian has previously been appointed hereunder, the Depositary shall promptly appoint a substitute

custodian that is organized under the laws of the Republic of India. The Depositary shall require such resigning or discharged Custodian to deliver the Deposited Securities held by it, together with all such records maintained by it as Custodian with respect to such Deposited Securities as the Depositary may request, to the Custodian designated by the Depositary. Whenever the Depositary determines, in its discretion, that it is appropriate to do so, it may, upon notice to the Company, appoint an additional custodian with respect to any Deposited Securities, or discharge the Custodian with respect to any Deposited Securities and appoint a substitute custodian, which shall thereafter be Custodian hereunder with respect to the Deposited Securities. Immediately upon any such change, the

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Depositary shall give notice thereof in writing to all Holders of Receipts, each other Custodian and the Company.

Upon the appointment of any successor depositary, any Custodian then acting hereunder shall, unless otherwise instructed by the Depositary, continue to be the Custodian of the Deposited Securities without any further act or writing, and shall be subject to the direction of the successor depositary. The successor depositary so appointed shall, nevertheless, on the written request of any Custodian, execute and deliver to such Custodian all such instruments as may be proper to give to such Custodian full and complete power and authority to act on the direction of such successor depositary.

Section 5.6 Notices and Reports. On or before the first date on which the Company gives notice, by publication or otherwise, of any meeting of holders of Shares or other Deposited Securities, or of any adjourned meeting of such holders, or of the taking of any action by such holders other than at a meeting, or of the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of Deposited Securities, the Company shall transmit to the Depositary and the Custodian a copy of the notice thereof in the English language but otherwise in the form given or to be given to holders of Shares or other Deposited Securities. The Company shall also furnish to the Custodian and the Depositary a summary, in English, of any applicable provisions or proposed provisions of the Articles of Association and Memorandum of Association of the Company that may be relevant or pertain to such notice of meeting or be the subject of a vote thereat.

The Company will also transmit to the Depositary (a) an English language version of the other notices, reports and communications which are made generally available by the Company to holders of its Shares or other Deposited Securities and (b) the English-language versions of the Company's annual and semi-annual reports prepared in accordance with the applicable requirements of the Commission. The Depositary shall arrange, at the request of the Company and at the Company's expense, to provide copies thereof to all Holders or make such notices, reports and other communications available to all Holders on a basis similar to that for holders of Shares or other Deposited Securities or on such other basis as the Company may advise the Depositary or as may be required by any applicable law, regulation or stock exchange requirement. The Company has delivered to the Depositary and the Custodian a copy of the Company's Articles of Association and Memorandum of Association along with the provisions of or governing the Shares and any other Deposited Securities issued by the Company or any Affiliate of the Company in connection with such Shares, and promptly upon any amendment thereto or change therein, the Company shall deliver to the Depositary and the Custodian a copy of such amendment thereto or change therein. The Depositary may rely upon such copy for all purposes of this Deposit Agreement.

The Depositary will, at the expense of the Company, make available a copy of any such notices, reports or communications issued by the Company and delivered to the Depositary for inspection by the Holders of the Receipts evidencing the American Depositary Shares representing such Shares governed by such provisions at the Depositary's Principal Office, at the office of the Custodian and at any other designated transfer office.

31

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Section 5.7 Issuance of Additional Shares, ADSs etc. The Company agrees
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that in the event it or any of its Affiliates proposes (i) an issuance, sale or distribution of additional Shares, (ii) an offering of rights to subscribe for Shares or other Deposited Securities, (iii) an issuance of securities convertible into or exchangeable for Shares, (iv) an issuance of rights to subscribe for securities convertible into or exchangeable for Shares, (v) an elective dividend of cash or Shares, (vi) a redemption of Deposited Securities, (vii) a meeting of holders of Deposited Securities, or solicitation of consents or proxies, relating to any reclassification of securities, merger or consolidation or transfer of assets, or (viii) any reclassification, recapitalization, reorganization, merger, consolidation or sale of assets which affects the Deposited Securities, it will obtain U.S. legal advice and take all steps necessary to ensure that the application of the proposed transaction to Holders and Beneficial Owners does not violate the registration provisions of the Securities Act, or any other applicable laws (including, without limitation, the Investment Company Act of 1940, as amended, the Exchange Act or the securities laws of the states of the United States). In support of the foregoing, the Company will, at the request of the Depositary, furnish to the Depositary (a) a written opinion of U.S. counsel (reasonably satisfactory to the Depositary) stating whether or not application of such transaction to Holders and Beneficial Owners (1) requires a registration statement under the Securities

Act to be in effect or (2) is exempt from the registration requirements of the Securities Act and (b) an opinion of the Republic of India counsel stating that (1) making the transaction available to Holders and Beneficial Owners does not violate the laws or regulations of the Republic of India and (2) all requisite regulatory consents and approvals have been obtained in the Republic of India. If the filing of a registration statement is required, the Depositary shall not have any obligation to proceed with the transaction unless it shall have received evidence reasonably satisfactory to it that such registration statement has been declared effective. If, being advised by counsel, the Company determines that a transaction is required to be registered under the Securities Act, the Company will either (i) register such transaction to the extent necessary, (ii) alter the terms of the transaction to avoid the registration requirements of the Securities Act or (iii) direct the Depositary to take specific measures, in each case as contemplated in this Deposit Agreement, to prevent such transaction from violating the registration requirements of the Securities Act. The Company agrees with the Depositary that neither the Company nor any of its Affiliates will at any time (i) deposit any Shares or other Deposited Securities, either upon original issuance or upon a sale of Shares or other Deposited Securities previously issued and reacquired by the Company or by any such Affiliate, or (ii) issue additional Shares, rights to subscribe for such Shares, securities convertible into or exchangeable for Shares or rights to subscribe for such securities, unless such transaction and the securities issuable in such transaction are exempt from registration under the Securities Act or have been registered under the Securities Act (and such registration statement has been declared effective).

Notwithstanding anything else contained in this Deposit Agreement, nothing in this Deposit Agreement shall be deemed to obligate the Company to file any registration statement in respect of any proposed transaction.

Section 5.8 Indemnification. The Depositary agrees to indemnify the
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Company and its directors, officers, employees, agents and Affiliates against, and hold each of them harmless

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from, any direct loss, liability, tax, charge or expense of any kind whatsoever (including, but not limited to, the reasonable fees and expenses of counsel) which may arise out of acts performed or omitted by the Depositary under the terms hereof due to the negligence or bad faith of the Depositary.

The Company agrees to indemnify the Depositary, the Custodian and any of their respective directors, officers, employees, agents and Affiliates against, and hold each of them harmless from, any direct loss, liability, tax, charge or expense of any kind whatsoever (including, but not limited to, the reasonable fees and expenses of counsel) that may arise (a) out of or in connection with any offer, issuance, sale, resale, transfer, deposit or withdrawal of Receipts, American Depositary Shares, the Shares, or other Deposited Securities, as the case may be, (b) out of or as a result of any offering documents in respect thereof or (c) out of acts performed or omitted (i) by the Depositary, the Custodian or any of their respective directors, officers, employees, agents and Affiliates under the terms of this Deposit Agreement, except to the extent such loss, liability, tax, charge or expense is due to the negligence or bad faith of any of them, or (ii) by the Company or any of its directors, officers, employees, agents and Affiliates.

The obligations set forth in this Section shall survive the termination of this Deposit Agreement and the succession or substitution of any party hereto.

Any person seeking indemnification hereunder (an "indemnified person") shall notify the person from whom it is seeking indemnification (the "indemnifying person") of the commencement of any indemnifiable action or claim promptly after such indemnified person becomes aware of such commencement (provided that the failure to make such notification shall not affect such indemnified person's rights to seek indemnification except to the extent the indemnifying person is materially prejudiced by such failure) and shall consult in good faith with the indemnifying person as to the conduct of the defense of such action or claim that may give rise to an indemnity hereunder, which defense shall be reasonable in the circumstances. No indemnified person shall compromise or settle any action or claim that may give rise to an indemnity hereunder without the consent of the indemnifying person, which consent shall not be unreasonably withheld.

Section 5.9 Fees and Charges of Depositary. The Company, the Holders, the
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Beneficial Owners, and persons depositing Shares or surrendering ADSs for cancellation and withdrawal of Deposited Securities, as the case may be, shall be required to pay to the Depositary the Depositary's fees and related charges identified as payable by them respectively in the Fee Schedule attached hereto as Exhibit B. All fees and charges so payable may, at any time and from time to time, be changed by agreement between the Depositary and the Company, but, in the case of fees and charges payable by Holders and Beneficial Owners, only in the manner contemplated in Section 6.1. The Depositary shall provide, without charge, a copy of its latest fee schedule to anyone upon request.

The Company agrees to promptly pay to the Depositary such other fees and charges and to reimburse the Depositary for such out-of-pocket expenses as the Depositary and the Company may agree to in writing from time to time. Responsibility for payment of such charges may at any time and from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such expenses and fees or charges to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The right of the Depositary to receive payment of fees, charges and expenses as provided above shall survive the termination of this Deposit Agreement. As to any Depositary, upon the resignation or removal of such Depositary as described in Section 5.4 hereof, such right shall extend for those fees, charges and expenses incurred prior to the effectiveness of such resignation or removal.

Section 5.10 Pre-Release. Subject to the further terms and provisions of
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this Section 5.10, the Depositary, its Affiliates and their agents, on their own behalf and on behalf of their clients, may own and deal in any class of securities of the Company and its Affiliates and in ADSs. In its capacity as Depositary, the Depositary shall not lend Shares or ADSs; provided, however, that the Depositary may (i) issue ADSs prior to the receipt of Shares pursuant to Section 2.3 and (ii) deliver Shares prior to the receipt of ADSs for withdrawal of Deposited Securities pursuant to Section 2.7, including ADSs which were issued under (i) above but for which Shares may not have been received (each such transaction a "Pre-Release Transaction"). The Depositary may receive ADSs in lieu of Shares under (i) above and receive Shares in lieu of ADSs under (ii) above. Each such Pre-Release Transaction will be (a) subject to a written agreement whereby the person or entity (the "Applicant") to whom ADSs or Shares are to be delivered (w) represents that at the time of the Pre-Release Transaction the Applicant or its customer owns the Shares or ADSs that are to be delivered by the Applicant under such Pre-Release Transaction, (x) agrees to indicate the Depositary as owner of such Shares or ADSs in its records and to hold such Shares or ADSs in trust for the Depositary until such Shares or ADSs are delivered to the Depositary or the Custodian, (y) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Shares or ADSs, and (z) agrees to any additional restrictions or requirements that the Depositary deems appropriate, (b) at all times fully collateralized with cash, United States government securities or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days' notice and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will normally limit the number of ADSs and Shares involved in such Pre-Release Transactions at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (i) above), provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate.

The Depositary may also set limits with respect to the number of ADSs and Shares involved in Pre-Release Transactions with any one person on a case by case basis as it deems appropriate. The Depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of the Holders (other than the Applicant).

34

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Section 5.11 Restricted Securities Owners. The Company agrees to advise in
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writing each of the persons or entities who, to the knowledge of the Company, holds Restricted Securities that such Restricted Securities are ineligible for deposit hereunder and, to the extent practicable, shall require each of such persons to represent in writing that such person will not deposit Restricted Securities hereunder.

ARTICLE VI.

AMENDMENT AND TERMINATION

Section 6.1 Amendment/Supplement. The Receipts outstanding at any time,
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the provisions of this Deposit Agreement and the form of Receipt attached hereto and to be issued under the terms hereof may at any time and from time to time be amended or supplemented by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the prior written consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding Receipts until the expiration of 30 days after notice of such amendment or supplement shall have been given to the Holders of outstanding Receipts. The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for (a) the American Depositary Shares to be registered on Form F-6 under the Securities Act or (b) the American Depositary Share(s) to be traded solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such American Depositary Share(s), to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement and the Receipt as amended and supplemented thereby. In no event shall any

amendment or supplement impair the right of the Holder to surrender such Receipt and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require an amendment or supplement of the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and the Receipts at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and the Receipts in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

Section 6.2 Termination. The Depositary shall, at any time at the written
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direction of the Company, terminate this Deposit Agreement by providing notice of such termination to the

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Holders of all Receipts then outstanding at least 30 days prior to the date fixed in such notice for such termination. If 90 days shall have expired after (i) the Depositary shall have delivered to the Company a written notice of its election to resign, or (ii) the Company shall have delivered to the Depositary a written notice of the removal of the Depositary, and in either case a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.4, the Depositary may terminate this Deposit Agreement by providing notice of such termination to the Holders of all Receipts then outstanding at least 30 days prior to the date fixed for such termination. On and after the date of termination of this Deposit Agreement, the Holder of a Receipt will, upon surrender of such Receipt at the Principal Office of the Depositary, upon the payment of the charges of the Depositary for the surrender of Receipts referred to in Section 2.7 and subject to the conditions and restrictions therein set forth, and upon payment of any applicable taxes or governmental charges, be entitled to Delivery, to him or upon his order, of the amount of Deposited Securities represented by such Receipt. If any Receipts shall remain outstanding after the date of termination of this Deposit Agreement, the Registrar thereafter shall discontinue the registration of transfers of Receipts, and the Depositary shall suspend the distribution of dividends to the Holders thereof, and shall not give any further notices or perform any further acts under this Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights as provided in this Deposit Agreement, and shall continue to deliver Deposited Securities, subject to the conditions and restrictions set forth in Section 2.7, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for Receipts surrendered to the Depositary (after deducting, or charging, as the case may be, in each case, the charges of the Depositary for the surrender of a Receipt, any expenses for the account of the Holder in accordance with the terms and conditions of this Deposit Agreement and any applicable taxes or governmental charges or assessments). At any time after the expiration of six months from the date of termination of this Deposit Agreement, the Depositary may sell the Deposited Securities then held hereunder and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, in an unsegregated account, without liability for interest for the pro rata benefit of the Holders whose Receipts have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under this Deposit Agreement with respect to the Receipts, the Deposited Securities and the American Depositary Shares, except to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case, the charges of the Depositary for the surrender of a Receipt, any expenses for the account of the Holder in accordance with the terms and conditions of this Deposit Agreement and any applicable taxes or governmental charges or assessments). Upon the termination of this Deposit Agreement, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary under Sections 5.8, 5.9 and 7.6 hereof.

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ARTICLE VII.

MISCELLANEOUS

Section 7.1 Counterparts. This Deposit Agreement may be executed in any
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number of counterparts, each of which shall be deemed an original and all of such counterparts together shall constitute one and the same agreement. Copies of this Deposit Agreement shall be maintained with the Depositary and shall be open to inspection by any Holder during business hours.

Section 7.2 No Third-Party Beneficiaries. This Deposit Agreement is for
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the exclusive benefit of the parties hereto (and their successors) and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person, except to the extent specifically set forth in this Deposit Agreement. Nothing in this Deposit Agreement shall be deemed to give rise to a partnership or joint venture among the parties nor establish a fiduciary or similar relationship among the parties. The parties hereto acknowledge and agree that (i) the Depositary and its Affiliates may at any time have multiple banking relationships with the Company and its Affiliates, (ii) the Depositary and its

Affiliates may be engaged at any time in transactions in which parties adverse to the Company or the Holders or Beneficial Owners may have interests and (iii) nothing contained in this Agreement shall (a) preclude the Depositary or any of its Affiliates from engaging in such transactions or establishing or maintaining such relationships, (b) obligate the Depositary or any of its Affiliates to disclose such transactions or relationships or to account for any profit made or payment received in such transactions or relationships.

Section 7.3 Severability. In case any one or more of the provisions
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contained in this Deposit Agreement or in the Receipts should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

Section 7.4 Holders and Beneficial Owners as Parties; Binding Effect. The
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Holders and Beneficial Owners from time to time of American Depositary Shares shall be parties to the Deposit Agreement and shall be bound by all of the terms and conditions thereof and of any Receipt by acceptance thereof of any beneficial interest therein.

Section 7.5 Notices. Any and all notices to be given to the Company shall
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be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex or facsimile transmission, confirmed by letter, addressed to Satyam Computer Services Limited, Satyam Technology Center, Bahadurpally Village Qutubullapur Mandal, R.R. District - 500 855 Hyderabad, Andhra Pradesh, India, Attention: the Managing Director, or to any other address
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which the Company may specify in writing to the Depositary, with a copy to : Michael W. Sturrock, Latham & Watkins, 80 Raffles Place #14-20, UOB Plaza 2, Singapore 048624.

Any and all notices to be given to the Depositary shall be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex or facsimile transmission, confirmed by letter, addressed to Citibank, N.A., 111 Wall Street, New York, New York 10043,

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U.S.A. Attention: ADR Department, or to any other address which the Depositary may specify in writing to the Company.

Any and all notices to be given to the Custodian shall be deemed to have been duly given if personally delivered or sent by mail, air courier or cable, telex or facsimile transmission, confirmed by letter, addressed to Barodawala Mansion, 81, Dr. Annie Besant Road, Worli, Mumbai India 400018 or to any other address which the Custodian may specify in writing to the Company.

Any and all notices to be given to any Holder shall be deemed to have been duly given if (a) personally delivered or sent by mail or cable, telex or facsimile transmission, confirmed by letter, addressed to such Holder at the address of such Holder as it appears on the transfer books for Receipts of the Depositary, or, if such Holder shall have filed with the Depositary a written request that notices intended for such Holder be mailed to some other address, at the address specified in such request, or (b) if a Holder shall have designated such means of notification as an acceptable means of notification under the terms of this Deposit Agreement, by means of electronic messaging addressed for delivery to the e-mail address designated by the Holder for such purpose. Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of this Deposit Agreement. Failure to notify a Holder or any defect in the notification to a Holder shall not affect the sufficiency of notification to other Holders or to the Beneficial Owners of ADSs held by such other Holders.

Delivery of a notice sent by mail, air courier or cable, telex or facsimile transmission shall be deemed to be effective at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a cable, telex or facsimile transmission) is deposited, postage prepaid, in a post-office letter box or delivered to an air courier service, without regard for the actual receipt or time of actual receipt thereof by a Holder. The Depositary or the Company may, however, act upon any cable, telex or facsimile transmission received by it from the other or from any Holder, the Custodian or the Company, notwithstanding that such cable, telex or facsimile transmission shall not subsequently be confirmed by letter as aforesaid.

Delivery of a notice by means of electronic messaging shall be deemed to be effective at the time of the initiation of the transmission by the sender (as shown on the sender's records), notwithstanding that the intended recipient retrieves the message at a later date, fails to retrieve such message, or fails to receive such notice on account of its failure to maintain the designated e-mail address, its failure to designate a substitute e-mail address or for any other reason.

Section 7.6 Governing Law and Jurisdiction. This Deposit Agreement and the
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Receipts shall be interpreted in accordance with, and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by, the laws of the State of New York without reference to the principles of choice of law thereof. Notwithstanding anything contained in this Deposit Agreement, any Receipt or any present or future provisions of the laws of the State of New

York, the rights of holders of Shares and of any other Deposited

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Securities and the obligations and duties of the Company in respect of the holders of Shares and other Deposited Securities, as such, shall be governed by the laws of the Republic of India (or, if applicable, such other laws as may govern the Deposited Securities).

Except as set forth in the following paragraph of this Section 7.6, the Company and the Depositary agree that the federal or state courts in the City of New York shall have jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute between them that may arise out of or in connection with this Deposit Agreement and, for such purposes, each irrevocably submits to the non-exclusive jurisdiction of such courts. The Company hereby irrevocably designates, appoints and empowers CT Corporation System (the "Agent") now at 111 Eighth Avenue, New York, New York 10011, telephone number (212) 590-9200 as its authorized agent to receive and accept for and on its behalf, and on behalf of its properties, assets and revenues, service by mail of any and all legal process, summons, notices and documents that may be served in any suit, action or proceeding brought against the Company in any federal or state court as described in the preceding sentence or in the next paragraph of this Section 7.6. If for any reason the Agent shall cease to be available to act as such, the Company agrees to designate a new agent in New York on the terms and for the purposes of this Section 7.6 reasonably satisfactory to the Depositary. The Company further hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents in any suit, action or proceeding against the Company, by service by mail of a copy thereof upon the Agent (whether or not the appointment of such Agent shall for any reason prove to be ineffective or such Agent shall fail to accept or acknowledge such service), with a copy mailed to the Company by registered or certified air mail, postage prepaid, to its address provided in Section 7.5 hereof. The Company agrees that the failure of the Agent to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

Notwithstanding the foregoing, the Depositary and the Company unconditionally agree that in the event that a Holder or Beneficial Owner brings a suit, action or proceeding against (a) the Company, (b) the Depositary in its capacity as Depositary under this Deposit Agreement or (c) against both the Company and the Depositary, in any such case, in any state or federal court of the United States, and the Depositary or the Company have any claim, for indemnification or otherwise, against each other arising out of the subject matter of such suit, action or proceeding, then the Company and the Depositary may pursue such claim against each other in the state or federal court in the United States in which such suit, action, or proceeding is pending and, for such purposes, the Company and the Depositary irrevocably submit to the non-exclusive jurisdiction of such courts. The Company agrees that service of process upon the Agent in the manner set forth in the preceding paragraph shall be effective service upon it for any suit, action or proceeding brought against it as described in this paragraph.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any actions, suits or proceedings brought in any court as provided in this Section 7.6, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that

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any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, and agrees not to plead or claim, any right of immunity from legal action, suit or proceeding, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, from execution of judgment, or from any other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, and consents to such relief and enforcement against it, its assets and its revenues in any jurisdiction, in each case with respect to any matter arising out of, or in connection with, the Deposit Agreement, any Receipt or the Deposited Securities.

No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement. The provisions of this Section 7.6 shall survive any termination of this Deposit Agreement, in whole or in part.

Section 7.7 Assignment. Subject to the provisions of Section 5.4 hereof,
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this Deposit Agreement may not be assigned by either the Company or the Depositary.

Section 7.8 Compliance with U.S. Securities Laws. Notwithstanding
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anything in this Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Instruction I.A.(1)of the General Instructions to Form F-6 Registration Statement, as amended from time to time, under the Securities Act.

Section 7.9 Titles. All references in this Deposit Agreement to exhibits,

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articles, sections, subsections, and other subdivisions refer to the exhibits, articles, sections, subsections and other subdivisions of this Deposit Agreement unless expressly provided otherwise. The words "this Deposit Agreement", "herein", "hereof", "hereby", "hereunder", and words of similar import refer to the Deposit Agreement as a whole as in effect between the Company, the Depositary and the Holders and Beneficial Owners of ADSs and not to any particular subdivision unless expressly so limited. Pronouns in masculine, feminine and neuter gender shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa unless the context otherwise requires. Titles to sections of this Deposit Agreement are included for convenience only and shall be disregarded in construing the language contained in this Deposit Agreement.

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IN WITNESS WHEREOF, SATYAM COMPUTER SERVICES LIMITED and CITIBANK, N.A. have duly executed this Deposit Agreement as of the day and year first above set forth and all Holders and Beneficial Owners shall become parties hereto upon acceptance by them of American Depositary Shares evidenced by Receipts issued in accordance with the terms hereof, or upon acquisition of any beneficial interest therein.

SATYAM COMPUTER SERVICES LIMITED

By: /s/ G. Jayaraman

Name: G. Jayaraman
Title: Vice-President Corporate Affairs

CITIBANK, N.A.

By: /s/ Susan A. Lucanto

Name: Susan A. Lucanto
Title: Vice President

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EXHIBIT A

[FORM OF RECEIPT]

Number CUSIP NUMBER:

American Depositary Shares (each
American Depositary Share representing
two (2) equity shares,
par value Rs.2 per share)

AMERICAN DEPOSITARY RECEIPT

FOR

AMERICAN DEPOSITARY SHARES

representing

DEPOSITED EQUITY SHARES

of

SATYAM COMPUTER SERVICES LIMITED

(a limited liability company organized under the laws of the Republic of India)

CITIBANK, N.A., a national banking association organized and existing under the laws of the United States of America, as depositary (the "Depositary"), hereby certifies that _____________is the owner of ______________ American Depositary Shares (hereinafter "ADS"), representing deposited equity shares, each of par value of Rs.2 per share, including evidence of rights to receive such equity shares (the "Shares") of Satyam Computer Services Limited, a limited liability company organized under the laws of the Republic of India (the "Company"). As of the date of the Deposit Agreement (as hereinafter defined), each ADS represents two Shares deposited under the Deposit Agreement with (except as contemplated in Section 5.10 of the Deposit Agreement) the Custodian, which at the date of execution of the Deposit Agreement is Citibank, N.A. - Mumbai Branch (the "Custodian"). The ratio of American Depositary Shares to Shares is subject to amendment as provided in the Deposit Agreement. The Depositary's Principal Office is located at 111 Wall Street, New York, New York 10043, U.S.A.

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(1) The Deposit Agreement. This American Depositary Receipt is one of an

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issue of American Depositary Receipts ("Receipts"), all issued and to be issued upon the terms and conditions set forth in the Deposit Agreement, dated as of May 14, 2001 (as amended from time to time, the "Deposit Agreement"), by and among the Company, the Depositary, and all Holders and Beneficial Owners from time to time of American Depositary Shares ("ADSs") evidenced by Receipts issued thereunder, each of whom by accepting an ADS (or an interest therein) agrees to become a party thereto and becomes bound by all the terms and conditions thereof. The Deposit Agreement sets forth the rights and obligations of Holders and Beneficial Owners of Receipts and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time received in respect of such Shares and held thereunder (such Shares, securities, property and cash are herein called "Deposited Securities"). Copies of the Deposit Agreement are on file at the Principal Office of the Depositary and with the Custodian.

The statements made on the face and reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and the Articles of Association and Memorandum of Association of the Company (as in effect on the date of the signing of the Deposit Agreement) and are qualified by and subject to the detailed provisions of the Deposit Agreement and the Articles of Association and Memorandum of Association, to which reference is hereby made. All capitalized terms used herein which are not otherwise defined herein shall have the meanings ascribed thereto in the Deposit Agreement. The Depositary makes no representation or warranty as to the validity or worth of the Deposited Securities. The Depositary has made arrangements for the acceptance of the ADSs into DTC. Each Beneficial Owner of ADSs held through DTC must rely on the procedures of DTC and the DTC Participants to exercise and be entitled to any rights attributable to such ADSs.

(2) Surrender of Receipts and Withdrawal of Deposited Securities.

The Holder of this Receipt (and of the ADSs evidenced hereby) shall be entitled to Delivery (at the Custodian's designated office) to him or upon his order of the Deposited Securities at the time represented by the ADS(s) evidenced hereby upon satisfaction of each of the following conditions: (i) the Holder (or a duly authorized attorney of the Holder) has duly Delivered to the Depositary at its Principal Office the ADSs evidenced hereby (and, if applicable, this Receipt) for the purpose of withdrawal of the Deposited Securities represented thereby, (ii) if so required by the Depositary, this Receipt has been properly endorsed in blank or is accompanied by proper instruments of transfer in blank (including signature guarantees in accordance with standard securities industry practice), (iii) if so required by the Depositary, the Holder of the ADSs has executed and delivered to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be Delivered to or upon the written order of the person(s) designated in such order, and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B to the Deposit Agreement) have been paid, subject, however, in each

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case, to the terms and conditions of this Receipt, of the Deposit Agreement, of the Company's Articles of Association and Memorandum of Association, and of any applicable laws and the rules of the Reserve Bank of India, and to any provisions of or governing the Deposited Securities, in each case as in effect at the time thereof.

Upon satisfaction of each of the conditions specified above, the Depositary (i) shall cancel the ADSs Delivered to it (and, if applicable, the Receipt evidencing the ADSs so Delivered), (ii) shall direct the Registrar to record the cancellation of the ADSs so Delivered on the books maintained for such purpose, and (iii) shall direct the Custodian to Deliver (without unreasonable delay) at the Custodian's designated office the Deposited Securities represented by the ADSs so canceled together with any certificate or other document of title for the Deposited Securities, or evidence of the electronic transfer thereof (if available), as the case may be, to or upon the written order of the person(s) designated in the order delivered to the Depositary for such purpose, subject however, in each case, to the terms and conditions of the Deposit Agreement, of this Receipt, of the Articles of Association and Memorandum of Association of the Company, applicable laws and of the rules of the Reserve Bank of India, and to the terms and conditions of or governing the Deposited Securities, in each case as in effect at the time thereof.

The Depositary shall not accept for surrender ADSs representing less than one Share. In the case of surrender of ADSs representing other than a whole number of Shares, the Depositary shall cause ownership of the appropriate whole number of Shares to be Delivered in accordance with the terms hereof, and shall, at the discretion of the Depositary, either (i) return to the person surrendering such ADSs the number of ADSs representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the ADS(s) so surrendered and remit the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes withheld) to the person surrendering the ADSs. Notwithstanding anything else contained in this Receipt or the Deposit Agreement, the Depositary may make delivery at the Principal Office of the Depositary of (i) any cash dividends or cash distributions, or (ii) any proceeds from the sale of any distributions of shares or rights, which are at the time held by the Depositary in respect of the Deposited Securities represented by the ADSs evidenced by this Receipt. At the request, risk and expense of any Holder so surrendering ADSs, represented by this Receipt, and for the account of such Holder, the Depositary shall direct the Custodian to forward (to the extent permitted by law) any cash or other property (other than securities) held by the Custodian in respect of the Deposited Securities represented by such ADSs to the Depositary for delivery at the Principal Office of the Depositary. Such direction shall be given by letter or, at the request, risk and expense of such Holder, by cable, telex or facsimile transmission.

(3) Transfer, Combination and Split-Up of Receipts. The Registrar shall promptly register the transfer of this Receipt (and of the ADSs represented thereby) on the books maintained for such purpose and the Depositary shall cancel this Receipt and execute new Receipts evidencing the same aggregate number of ADSs as those evidenced by this Receipt when canceled, shall cause the Registrar to countersign such new

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Receipts and shall Deliver such new Receipts to or upon the order of the person entitled thereto, if each of the following conditions has been satisfied: (i) this Receipt has been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a transfer thereof, (ii) this Receipt has been properly endorsed or is accompanied by proper instruments of transfer (including signature guarantees in accordance with standard securities industry practice), (iii) this Receipt has been duly stamped (if required by the laws of the State of New York or of the United States), and (iv) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and governmental charges (as are set forth in Section 5.9 and Exhibit B to the Deposit Agreement) have been paid, subject, however, in each case, to the terms and conditions of this Receipt, of the Deposit Agreement and of applicable law.

The Registrar shall promptly register the split-up or combination of this Receipt (and of the ADSs represented hereby) on the books maintained for such purpose and the Depositary shall cancel this Receipt and execute new Receipts for the number of ADSs requested, but in the aggregate not exceeding the number of ADSs evidenced by this Receipt when canceled by the Depositary, shall cause the Registrar to countersign such new Receipts and shall Deliver such new Receipts to or upon the order of the Holder thereof, if each of the following conditions has been satisfied: (i) this Receipt has been duly Delivered by the Holder (or by a duly authorized attorney of the Holder) to the Depositary at its Principal Office for the purpose of effecting a split-up or combination hereof, and (ii) all applicable fees and charges of, and expenses incurred by, the Depositary and all applicable taxes and government charges (as are set forth in Section 5.9 and Exhibit B to the Deposit Agreement) have been paid, subject, however, in each case, to the terms and conditions of this Receipt, of the Deposit Agreement and of applicable law.

(4) Pre-Conditions to Registration, Transfer, Etc. As a condition
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precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any Receipt, the delivery of any distribution thereon, or the withdrawal of any Deposited Securities, the Depositary or the Custodian may require (i) payment from the depositor of Shares or presenter of ADSs or of a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees and charges of the Depositary as provided in the Deposit Agreement and in this Receipt, (ii) the production of proof satisfactory to it as to the identity and genuineness of any signature or any other matters contemplated in the Deposit Agreement, and (iii) compliance with (A) any laws or governmental regulations relating to the execution and delivery of Receipts or ADSs or to the withdrawal of Deposited Securities and (B) such reasonable regulations of the Depositary and the Company may establish consistent with the Deposit Agreement and applicable law.

A-4

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The issuance of ADSs against deposits of Shares generally or against deposits of particular Shares may be suspended, or the delivery of ADSs against the deposit of particular Shares may be withheld, or the registration of transfer of Receipts in particular instances may be refused, or the registration of transfer of outstanding Receipts generally may be suspended, during any period when the transfer books of the Company, the Depositary, a Registrar or the Share Registrar, if any, are closed or if any such action is deemed necessary or advisable by the Depositary or the Company, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange upon which the Receipts or Shares are listed, or under any provision of the Deposit Agreement or this Receipt, or under any provision of, or governing, the Deposited Securities, or because of a meeting of shareholders of the Company or for any other reason, subject in all cases to paragraph (24) hereof. Notwithstanding any provision of the Deposit Agreement or this Receipt to the contrary, Holders are entitled to surrender outstanding ADSs to withdraw the Deposited Securities at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the Receipts or to the withdrawal of the Deposited Securities, and (iv) other circumstances specifically contemplated by Section I.A.(l) of the General Instructions to Form F-6 (as such General Instructions may be amended from time to time).

(5) Compliance With Information Requests. Notwithstanding any other
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provision of the Deposit Agreement or this Receipt, each Holder and Beneficial Owner of the ADSs represented hereby agrees to comply with the laws of the Republic of India, the rules and requirements of the Securities and Exchange Board of India, Reserve Bank of India, and of any stock exchange on which Shares or ADSs are, or will be registered, traded or listed or the Articles of Association and Memorandum of Association of the Company, which require notification to the Company of interest in Deposited Securities, inter alia, as to certain acquisition or disposition of shares (or share equivalents) the capacity in which such Holder or Beneficial Owner owns ADSs (and Shares, as the case may be) and regarding the identity of any other person(s) then or previously interested in such ADSs and the nature of such interest and various other matters, whether or not they are Holders and/or Beneficial Owners at the time of such request.

(6) Ownership Restrictions. Notwithstanding any provision of this Receipt
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or of the Deposit Agreement, the Company may restrict transfers of the Shares where such transfer might result in ownership of Shares exceeding limits imposed under applicable law and regulation, or the Articles of Association and Memorandum of Association of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of ADSs where such transfer may result in the total number of Shares represented by the ADSs owned by a single Holder or Beneficial Owner to exceed any such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take action with respect to the ownership interest of

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any Holder or Beneficial Owner in excess of the limits set forth in the preceding sentence, including but not limited to, the imposition of restrictions on the transfer of ADSs, the removal or limitation of voting rights or a mandatory sale or disposition on behalf of a Holder or Beneficial Owner of the Shares represented by the ADSs held by such Holder or Beneficial Owner in excess of such limitations, if and to the extent such disposition is permitted by applicable law and the Articles of Association and Memorandum of Association of the Company.

(7) Liability of Holder for Taxes and Other Charges. If any tax or other
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governmental charge shall become payable with respect to any Receipt or any Deposited Securities or ADSs, such tax, or other governmental charge shall be payable by the Holders and Beneficial Owners to the Depositary. The Company, the Custodian and/or Depositary may withhold or deduct from any distributions made

in respect of Deposited Securities and may sell for the account of Holder and/or Beneficial Owner any or all of the Deposited Securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, the Holder and the Beneficial Owner hereof remaining liable for any deficiency. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue ADSs, to deliver Receipts, register the transfer, split-up or combination of ADRs and (subject to paragraph (24) hereof) the withdrawal of Deposited Securities until payment in full of such tax, charge, penalty or interest is received. Every Holder and Beneficial Owner mat be required from time to time to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for such Holder and/or Beneficial Owner.

(8) Representations and Warranties of Depositors. Each person depositing
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Shares under the Deposit Agreement shall be deemed thereby to represent and warrant that such Shares and each certificate therefor are validly issued and outstanding, fully paid and nonassessable and that any preemptive rights have been validly waived or exercised, and that the person making such deposit is duly authorized so to do. Except as contemplated by Section 2.12 of the Deposit Agreement each such person shall also be deemed to represent that Shares deposited by that person are not Restricted Securities, and that the deposit of Shares or sale of Receipts by that person is not restricted, under the Securities Act of 1933. Such representations and warranties shall survive the deposit of Shares and issuance of Receipts or adjustments in the Depositary's records in respect thereof.

(9) Filing Proofs, Certificates and Other Information. Any person
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presenting Shares for deposit, any Holder and any Beneficial Owner may be required by the Company or the Depositary, and every Holder and Beneficial Owner agrees, from time to time to provide to the Depositary, the Company and the Custodian such proof of citizenship or residence, taxpayer status, payment of all applicable taxes or other governmental charges, exchange control approval and approval for deposit, legal or beneficial ownership of ADSs and Deposited Securities,

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compliance with applicable laws and regulations and the terms of the Deposit Agreement and the provisions of, or governing, the Deposited Securities, to execute such certifications and to make such representations and warranties, and to provide such other information or documentation (or, in the case of Shares in registered form presented for deposit, such information relating to the registration of Shares on the books of the Shares Registrar) as the Depositary or the Custodian may deem necessary or proper or as the Company may reasonably require by written request to the Depositary consistent with its obligations under the Deposit Agreement. Subject to paragraph (24) hereof and the terms of the Deposit Agreement, the Depositary and the Registrar, as applicable, may withhold the execution or Delivery or registration of transfer of any Receipt or the distribution or sale of any dividend or other distribution of rights or of the proceeds thereof or, to the extent not limited by paragraph (24) hereof, the Delivery of any Deposited Securities until such proof or other information is filed or such certificates are executed, or such representations are made or such information and documentation are provided, in each case to the Depositary's, the Registrar's and the Company's satisfaction.

(10) Charges of Depositary. The Depositary shall charge the following fees
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for the services performed under the terms of the Deposit Agreement:

(i) to any person to whom ADSs are issued upon the deposit of Shares, a fee not in excess of U.S. $ 5.00 per 100 ADSs (or fraction thereof) so issued under the terms of the Deposit Agreement (excluding issuances pursuant to paragraphs (iv) and (v) below);

(ii) to any person surrendering ADSs for cancellation and withdrawal of Deposited Securities, a fee not in excess of U.S. $ 5.00 per 100 ADSs (or fraction thereof) so surrendered;

(iii) to any Holder of ADRs, a fee not in excess of U.S. $ 2.00 per 100 ADSs (or fraction thereof) held for the distribution of cash proceeds (i.e., upon the sale of rights and other entitlements);

(iv) to any Holder of ADRs, a fee not in the excess of U.S. $ 5.00 per 100 ADSs (or fraction thereof) issued upon the exercise of rights to purchase additional ADSs; and

(v) No Fee shall be payable upon distribution of (a) cash dividends or (b) ADSs pursuant to stock dividends (or other free distributions of stock) so long as the charging of such fee is prohibited by the exchange upon which the ADSs are listed. If charging of such fees is not prohibited, the fees specified in (i) above shall be payable in respect of ADS distributions pursuant to stock dividends (or other free distributions of stock) and the

A-7

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fees specified in (iii) above shall be payable in respect of distributions of cash.

In addition, Holders, Beneficial Owners, person depositing Shares for deposit and persons surrendering ADSs for cancellation and withdrawal of Deposited Securities will be required to pay the following charges:

(i) taxes (including applicable interest and penalties) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Securities on the share register and applicable to transfers of Shares or other Deposited Securities to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing or withdrawing Shares or Holders and Beneficial Owners of ADSs;

(iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency;

(v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, Deposited Securities, ADSs and ADRs; and

(vi) the fees and expenses incurred by the Depositary in connection with the delivery of Deposited Securities.

Any other charges and expenses of the Depositary under the Deposit Agreement will be paid by the Company upon agreement between the Depositary and the Company. All fees and charges may, at any time and from time to time, be changed by agreement between the Depositary and Company but, in the case of fees and charges payable by Holders or Beneficial Owners, only in the manner contemplated by paragraph (22) of this Receipt. The Depositary will provide, without charge, a copy of its latest fee schedule to anyone upon request. The charges and expenses of the Custodian are for the sole account of the Depositary.

(11) Title to Receipts. It is a condition of this Receipt, and every
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successive Holder of this Receipt by accepting or holding the same consents and agrees, that title to this Receipt (and to each ADS evidenced hereby) shall be transferable on the same terms as a certificated security

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under the laws of the State of New York, provided that the Receipt has been properly endorsed or is accompanied by proper instruments of transfer. Notwithstanding any notice to the contrary, the Depositary and the Company may deem and treat the Holder of this Receipt (that is, the person in whose name this Receipt is registered on the books of the Depositary) as the absolute owner thereof for all purposes. Neither the Company nor the Depositary shall have any obligation nor be subject to any liability under the Deposit Agreement or this Receipt to any holder of this Receipt or any Beneficial Owner unless such holder is the registered Holder of this Receipt or, in the case of a Beneficial Owner, such Beneficial Owner or the Beneficial Owner's representative is the registered Holder thereof.

(12) Validity of Receipt. This Receipt (and the American Depositary Shares
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represented hereby) shall not be entitled to any benefits under the Deposit Agreement or be valid or enforceable for any purpose against the Depositary or the Company unless this Receipt has been (i) dated, (ii) signed by the manual or facsimile signature of a duly authorized signatory of the Depositary, (iii) countersigned by the manual or facsimile signature of a duly authorized signatory of the Registrar, and (iv) registered in the books maintained by the Registrar for the registration of issuances and transfers of Receipts. Receipts bearing the facsimile signature of a duly-authorized signatory of the Depositary or the Registrar, who at the time of signature was a duly authorized signatory of the Depositary or the Registrar, as the case may be, shall bind the Depositary, notwithstanding the fact that such signatory has ceased to be so authorized prior to the delivery of such Receipt by the Depositary.

(13) Available Information; Reports; Inspection of Transfer Books. The
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Company is subject to the periodic reporting requirements of the Exchange Act and accordingly files certain information with the Commission. These reports and documents can be inspected and copied at the public reference facilities maintained by the Commission located at Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549. The Depositary shall make available for inspection by Holders at its Principal Office any reports and communications, including any proxy soliciting materials, received from the Company which are both (a) received by the Depositary, the Custodian, or the nominee of either of them as

the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company.

The Registrar shall keep books for the registration of issuances and transfers of Receipts which at all reasonable times shall be open for inspection by the Company and by the Holders of such Receipts, provided that such inspection shall not be, to the Registrar's knowledge, for the purpose of communicating with Holders of such Receipts in the interest of a business or object other than the business of the Company or other than a matter related to the Deposit Agreement or the Receipts.

The Registrar may close the transfer books with respect to the Receipts, at any time or from time to time, when deemed necessary or advisable by it in good faith in connection with the

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performance of its duties hereunder, or at the reasonable written request of the Company subject, in all cases, to paragraph (24) hereof.

Dated: CITIBANK, N.A.,
as Depositary

CITIBANK, N.A.
Transfer Agent and Registrar

By: ________________________________
Vice President

By: ____________________________________
Authorized Signatory

The address of the Principal Office of the Depositary is 111 Wall Street, New York, New York 10043, U.S.A.

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[FORM OF REVERSE OF RECEIPT]

SUMMARY OF CERTAIN ADDITIONAL PROVISIONS

OF THE DEPOSIT AGREEMENT

(14) Dividends and Distributions in Cash, Shares, etc. Whenever the
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Depositary receives confirmation from the Custodian of receipt of any cash dividend or other cash distribution on any Deposited Securities, or receives proceeds from the sale of any Shares, rights securities or other entitlements under the Deposit Agreement, the Depositary will (i) if at the time of receipt thereof any amounts received in a Foreign Currency can in the judgment of the Depositary (upon the terms of the Deposit Agreement), be converted on a practicable basis into Dollars transferable to the United States, promptly convert or cause to be converted such dividend, distribution or proceeds into Dollars (upon the terms of the Deposit Agreement), (ii) if applicable, establish the ADS Record Date upon the terms described in Section 4.9 of the Deposit Agreement, and (iii) promptly distribute the amount thus received (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary as provided in the Deposit Agreement and (b) taxes withheld) to the Holders entitled thereto as of the ADS Record Date in proportion to the number of ADS held as of the ADS Record Date. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributed shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of ADSs then outstanding. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders on the ADSs representing such Deposited Securities shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority.

If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Company shall or cause such Shares to be deposited with the Custodian and registered, as the case may be, in the name of the Depositary, the Custodian or their respective nominees. Upon receipt of confirmation of such deposit from the Custodian, the Depositary shall, subject to and in accordance with the Deposit Agreement, establish the ADS Record Date and either (i) the Depositary shall distribute to the Holders as of the ADS Record Date in proportion to the number of ADSs held as of the ADS Record Date, additional ADSs, which represent in aggregate the number of Shares received as such dividend, or free distribution, subject to the terms of the Deposit Agreement (including, without limitation, (a) the applicable fees and charges of, and expenses incurred by, the Depositary as provided in the Deposit Agreement and (b) taxes), or (ii) if additional ADSs are not so distributed, each ADS issued and outstanding after the ADS Record Date shall, to the extent permissible by law,

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thenceforth also represent rights and interest in the additional integral number of Shares distributed upon the Deposited Securities represented thereby (net (a) of the applicable fees and charges of, and the expenses incurred by, the Depositary, as provided in the Deposit Agreement and (b) taxes). In lieu of delivering fractional ADSs, the Depositary shall sell the number of Shares or ADSs, as the case may be, represented by the aggregate of such fractions and distribute the net proceeds upon the terms set forth in the Deposit Agreement.

In the event that the Depositary determines that any distribution in property (including Shares) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, or, if the Company in the fulfillment of its obligations under the Deposit Agreement, has furnished an opinion of U.S. counsel determining that Shares must be registered under the Securities Act or other laws in order to be distributed to Holders (and no such registration statement has been declared effective), the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable and the Depositary shall distribute the net proceeds of any such sale (after deduction of such (a) taxes and (b) fees and charges of, and expenses incurred by, the Depositary) to Holders entitled thereto upon the terms of the Deposit Agreement. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement.

Upon timely receipt of a notice indicating that the Company wishes an elective distribution to be made available to Holders upon the terms described in the Deposit Agreement, the Company and the Depositary shall determine whether such distribution is lawful and reasonably practicable. If so, the Depositary shall, to the extent permitted by law and subject to the terms and conditions of the Deposit Agreement, distribute either (x) cash as in the case of a cash distribution or (y) additional ADSs representing such additional Shares as in the case of a distribution of Shares. In either case, the Depositary shall, subject to the terms and conditions of the Deposit Agreement, establish and ADS record date according to paragraph (16) and establish procedures to enable the Holder hereof to elect to receive the proposed distribution in cash or in additional ADSs. If a Holder elects to receive the distribution in cash, the dividend shall be distributed as in the case of a distribution in cash. If the Holder hereof elects to receive the distribution in additional ADSs, the distribution shall be distributed as in the case of a distribution in Shares. Nothing herein or in the Deposit Agreement shall obligate the Depositary to make available to the Holder hereof a method to receive the elective distribution in Shares (rather than ADSs). There can be no assurance that the Holder hereof will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Shares.

Upon timely receipt by the Depositary of a notice indicating that the Company wishes rights to subscribe for additional Shares to be made available to Holders of ADSs, the Depositary upon consultation with the Company, shall determine, whether it is lawful and reasonably

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practicable to make such rights available to the Holders. The Depositary shall make such rights available to any Holders only if (i) the Company shall have requested that such rights be made available to Holders, (ii) the Depositary shall have received the documentation contemplated in the Deposit Agreement, and (iii) the Depositary shall have determined, in consultation with the Company, that such distribution of rights is reasonably practicable. If such conditions are not satisfied, the Depositary shall sell the rights as described below. In the event all conditions set forth above are satisfied, the Depositary shall establish an ADS Record Date (upon the terms described in the Deposit Agreement) and establish procedures (x) to distribute rights to purchase additional ADSs (by means of warrants or otherwise), (y) to enable the Holders to exercise the rights (upon payment of the subscription price and of the applicable (a) fees and charges of, and expenses incurred by, the Depositary as provided in the Deposit Agreement and (b) taxes), and (z) to deliver ADSs upon the valid exercise of such rights. Nothing herein or in the Deposit Agreement shall obligate the Depositary to make available to the Holders a method to exercise rights to subscribe for Shares (rather than ADSs). If (i) the Company does not request the Depositary to make the rights available to Holders or if the Company requests that the rights not be made available to Holders, (ii) the Depositary fails to receive the documentation required by the Deposit Agreement or determines in consultation with the Company, that it is not reasonably practicable to make the rights available to Holders, or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public or private sale) as it may deem proper. The Depositary shall, upon such sale, convert and distribute proceeds of such sale (net of applicable fees and charges of, and expenses incurred by, the Depositary and taxes) upon the terms hereof and of the Deposit Agreement. If the Depositary is unable to make any rights available to Holders or to arrange for the sale of the rights upon the terms described above, the Depositary shall allow such rights to lapse. The Depositary shall not be responsible for (i) any failure to determine that it may be practicable to make such rights available to Holders in general or any Holders in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale or exercise, or (iii) the content of any materials forwarded to the ADR Holders on behalf of the Company in connection with the rights distribution.

Notwithstanding anything herein or in the Deposit Agreement to the contrary, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate is required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders (i) unless and until a registration statement under the Securities Act (or other applicable law) covering such offering is in effect or (ii) unless the Company furnishes the Depositary opinion(s) of counsel for the Company in the United States and counsel to the Company in any other applicable country in which rights would be distributed in each case reasonably satisfactory to the Depositary, to the effect that the offering and sale of such securities to Holders and Beneficial Owners are exempt from, or do not require registration under, the provisions of the Securities Act or any other applicable laws. In the event that the

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Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of property (including rights) an amount on account of taxes or other governmental charges, the amount distributed to the Holders of ADSs representing such Deposited Securities shall be reduced accordingly. In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges.

There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to exercise rights on the same terms and conditions as the holders of Shares or to exercise such rights. Nothing herein or in the Deposit Agreement shall obligate the Company to file any registration statement in respect of any rights or Shares or other securities to be acquired upon the exercise of such rights.

Upon receipt of a notice indicating that the Company wishes property other than cash, Shares or rights to purchase additional Shares, to be made to Holders of ADSs, the Depositary shall determine whether such distribution to Holders is lawful and reasonably practicable. The Depositary shall not make such distribution unless (i) the Company shall have requested the Depositary to make such distribution to Holders, (ii) the Depositary shall have received the documentation contemplated in the Deposit Agreement, and (iii) the Depositary shall have determined that such distribution is reasonably practicable. Upon satisfaction of such conditions, the Depositary shall distribute the property so received to the Holders of record, as of the ADS Record Date, in proportion to the number of ADSs held by them respectively and in such manner as the

Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution.

If the conditions above are not satisfied, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem proper and shall (i) cause the proceeds of such sale, if any, to be converted into Dollars and (ii) distribute the proceeds of such conversion received by the Depositary (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary as provided in the Deposit Agreement (b) taxes) to the Holders upon the terms hereof and of the Deposit Agreement. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems reasonably practicable under the circumstances.

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(15) Redemption. Upon timely receipt of notice from the Company that it
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intends to exercise its right of redemption in respect of any of the Deposited Securities, and a satisfactory opinion of counsel, and upon determining that such proposed redemption is practicable, the Depositary shall (to the extent practicable) provide to each Holder a notice setting forth the Company's intention to exercise the redemption rights and any other particulars set forth in the Company's notice to the Depositary. Upon receipt of confirmation that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, distribute the proceeds (net of applicable (a) fees and charges of, and expenses incurred by, the Depositary as provided in the Deposit Agreement, and (b) taxes), retire ADSs and cancel ADRs upon delivery of such ADSs by Holders thereof upon the terms of the Deposit Agreement. If less than all outstanding Deposited Securities are redeemed, the ADSs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per ADS shall be the dollar equivalent of per share amount received by the Depositary (adjusted to reflect the ADS(s)-to-Share(s) ratio) upon the redemption of the Deposited Securities represented by ADSs (subject to the terms of the Deposit Agreement and the applicable fees and charges of, and expenses incurred by, the Depositary, and taxes) multiplied by the number of Units or Deposited Securities represented by each ADS redeemed.

(16) Fixing of ADS Record Date. Whenever the Depositary shall receive
----
notice of the fixing of a record date by the Company for the determination of holders of Deposited Securities entitled to receive any distribution (whether in cash, Shares, rights or other distribution), or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each ADS, or whenever the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Securities, or whenever the Depositary shall find it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix a record date ("ADS Record Date") for the determination of the Holders of Receipts who shall be entitled to receive such distribution, to give instructions for the exercise of voting rights at any such meeting, or to give or withhold such consent, or to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Shares represented by each ADS. Subject to applicable law and the terms and conditions of this Receipt and the Deposit Agreement, only the Holders of Receipts at the close of business in New York on such ADS Record Date shall be entitled to receive such distributions, to give such instructions, to receive such notice or solicitation, or otherwise take action.

(17) Voting of Deposited Securities. As soon as practicable after receipt
----
of notice of any meeting at which the holders of Shares are entitled to vote, or of solicitation of consents or proxies from holders of Shares or other Deposited Securities, the Depositary shall fix the ADS Record Date in respect of such meeting or solicitation of such consent or proxy. The Depositary shall (if requested in writing in a timely manner by the Company, at the Company's expense and provided no U.S. legal prohibitions exist) provide to Holders: (a) such notice of meeting or

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solicitation of consent or proxies, (b) a statement that the Holders as of the ADS Record Date will be entitled, subject to any applicable law, the Company's Articles of Association and Memorandum of Association and the provisions of or governing Deposited Securities (which provisions, if any, shall be summarized in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Shares or other Deposited Securities represented by such Holder's ADS and (c) a brief statement as to the manner in which such instructions may be given. Upon the timely receipt of voting instructions from a Holder of ADSs on the ADS Record Date in the manner specified by the Depositary, the Depositary shall endeavor, insofar as practicable and permitted under applicable law the provisions of the Deposit

Agreement, the provisions of the Articles of Association and Memorandum of Association of the Company and the provisions of the Deposited Securities, to vote or cause the Custodian to vote the Shares and/or other Deposited Securities represented by ADSs held by such Holder, either on a show of hands, in which case the Custodian shall be instructed to vote in accordance with instructions received from Holders of a majority of the American Depositary Shares for which instructions have been given to the Depositary, or on a poll, in which case the Custodian shall be instructed to vote in accordance with the instructions received from the Holders giving instructions.

The Company's Articles of Association and Memorandum of Association provide that a poll may be demanded at any general meeting by a holder or holders holding (a) at least 10% of the total Shares entitled to vote on a resolution or (b) Shares with an aggregate paid up capital of at least Rs.50,000. As a result, unless specifically instructed by a Holder or Holders holding (a) at least 10% of the total Shares (represented by such Holder(s)' American Depositary Shares) entitled vote on a resolution or (b) Shares (represented by such Holder(s)' American Depositary Shares) with an aggregate paid up capital of at least Rs.50,000, the Custodian, acting on behalf of the Holders upon the instructions of the Depositary, may not join in demanding a poll. The Company's Articles of Association and Memorandum of Association (as in effect on the date hereof), further provide that the Chairman of the Board of the Company shall cast the deciding vote, in the event of a tie.

Neither the Depositary nor the Custodian shall, under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of, the Shares or other Deposited Securities represented by ADS except pursuant to and in accordance with such written instructions from Holders. If voting instructions are received by the Depositary from any Holder on or before the date established by the Depositary for the receipt of such instructions, which are signed but without further indication as to specific instructions, the Depositary will deem such Holder to have instructed the Depositary to vote in favor of the items set forth in such instructions. Shares or other Deposited Securities represented by ADS for which no specific voting instructions are received by the Depositary from the Holder shall not be voted. Notwithstanding anything else contained in the Deposit Agreement or this Receipt, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation or consents or proxies, of holders

A-16

<PAGE>

of Shares or other Deposited Securities if the taking of such action would violate U.S. laws. The Company agrees to take any and all actions reasonably necessary to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Shares or other Deposited Securities and to deliver to the

Depositary an opinion of U.S. counsel addressing any actions requested to be taken if so requested by the Depositary. There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

(18) Changes Affecting Deposited Securities. Upon any change in nominal or
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par value, split-up, cancellation, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting the Company or to which it is a party, any securities which shall be received by the Depositary or the Custodian in exchange for, or in conversion of or replacement of or otherwise in respect of, such Deposited Securities shall, to the extent permitted by law, be treated as new Deposited Securities under the Deposit Agreement, and the Receipts shall, subject to the provisions of the Deposit Agreement and applicable law, evidence ADSs representing the right to receive such additional securities. The Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement and receipt of satisfactory documentation contemplated by the Deposit Agreement, execute and deliver additional Receipts as in the case of a stock dividend on the Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts, in either case, as well as in the event of newly deposited Shares, with necessary modifications to the form of Receipt contained in this Exhibit A to the Deposit Agreement, specifically describing such new Deposited Securities or corporate change. Notwithstanding the foregoing, in the event that any security so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall if the Company requests, subject to receipt of satisfactory legal documentation contemplated in the Deposit Agreement, sell such securities at public or private sale, at such place or places and upon such terms as it may deem proper and may allocate the net proceeds of such sales (net of (a) fees and charges of, and expenses incurred by, the Depositary as provided in the Deposit Agreement and (b) taxes) for the account of the Holders otherwise entitled to such securities and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to the Deposit Agreement. The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or feasible to make such securities available to Holders in general or any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such securities.

(19) Exoneration. Neither the Depositary nor the Company shall be obligated
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to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or incur any liability to any Holder or Beneficial Owner (i) if the Depositary or the Company shall be prevented or forbidden from, or

subjected to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the Deposit

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Agreement and this Receipt, by reason of any provision of any present or future law or regulation of the United States, the Republic of India or any other country, or of any other governmental authority or regulatory authority or stock exchange, or on account of the possible criminal or civil penalties or restraint, or by reason of any provision, present or future of the Articles of Association and Memorandum of Association of the Company or any provision of or governing any Deposited Securities, or by reason of any act of God or war or other circumstances beyond its control (including, without limitation, nationalization, expropriation, currency restrictions, work stoppage, strikes, civil unrest, revolutions, rebellions, explosions and computer failure), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement or in the Articles of Association and Memorandum of Association of the Company or provisions of or governing Deposited Securities, (iii) for any action or inaction in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorized representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, (iv) for any inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Holders of ADS or (v) for any consequential or punitive damages for any breach of the terms of the Deposit Agreement. The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely and shall be protected in acting upon any written notice, request or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement or this Receipt.

(20) Standard of Care. The Company and its agents assume no obligation and
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shall not be subject to any liability under the Deposit Agreement or the Receipts to Holders or Beneficial Owners or other persons, except that the Company and its agents agree to perform their obligations specifically set forth in the Deposit Agreement without negligence or bad faith. The Depositary and its agents assume no obligation and shall not be subject to any liability under the Deposit Agreement or the Receipts to Holders or Beneficial Owners or other persons, except that the Depositary and its agents agree to perform their

obligations specifically set forth in the Deposit Agreement without negligence or bad faith. The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any vote is cast or the effect of any vote, provided that any such action or omission is in good faith and in accordance with the terms of the Deposit Agreement. The Depositary shall not incur any liability for any failure to determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Securities, for the validity or worth of the Deposited Securities or for any tax consequences that may result from the ownership of ADSs, Shares or Deposited Securities, for the credit-worthiness of any third party,

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for allowing any rights to lapse upon the terms of the Deposit Agreement or for the failure or timeliness of any notice from the Company.

(21) Resignation and Removal of the Depositary; Appointment of Successor
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Depositary. The Depositary may at any time resign as Depositary under the
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Deposit Agreement by written notice of resignation delivered to the Company, such resignation to be effective on the earlier of (i) the 90th day after delivery thereof to the Company, or (ii) upon the appointment by the Company of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by the Company by written notice of such removal which notice shall be effective on the earlier of (i) the 90th day after delivery thereof to the Depositary, or (ii) upon the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its best efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, the City of New York. Every successor depositary shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed (except as required by applicable law), shall become fully vested with all the rights, powers, duties and obligations of its predecessor (other than as contemplated in Sections 5.8 and 5.9) of the Deposit Agreement. The predecessor depositary, upon payment of all sums due it and on the written request of the Company, shall (i) execute and deliver an instrument transferring to such successor all rights and powers of

such predecessor hereunder (other than as contemplated in the Deposit Agreement), (ii) duly assign, transfer and deliver all right, title and interest to the Deposited Securities to such successor, and (iii) deliver to such successor a list of the Holders of all outstanding Receipts and such other information relating to Receipts and Holders thereof as the successor may reasonably request. Any such successor depositary shall promptly distribute notice of its appointment to such Holders. Any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

(22) Amendment/Supplement. This Receipt and any provisions of the Deposit
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Agreement may at any time and from time to time be amended or supplemented by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable without the prior written consent of the Holders or Beneficial Owners. Any amendment or supplement which shall impose or increase any fees or charges (other than the charges in connection with foreign exchange control regulations, and taxes and other governmental charges, delivery and other such expenses), or which shall otherwise materially prejudice any substantial existing right of Holders or Beneficial Owners, shall not, however, become effective as to outstanding Receipts until the expiration of 30 days after notice of such amendment or supplement shall have been given to the Holders of outstanding Receipts. The parties hereto agree that any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for (a) the ADSs to be registered on Form

<PAGE>

F-6 under the Securities Act or (b) the ADSs to be traded solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to materially prejudice any substantial rights of Holders or Beneficial Owners. Every Holder and Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold such ADS(s), to consent and agree to such amendment or supplement and to be bound by the Deposit Agreement as amended or supplemented thereby. In no event shall any amendment or supplement impair the right of the Holder to surrender such Receipt and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require amendment or supplement of the Deposit Agreement to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and this Receipt at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement in such

circumstances may become effective before a notice of such amendment or
supplement is given to Holders or within any other period of time as required
for compliance with such laws, or rules or regulations.

(23) Termination. The Depositary shall, at any time at the written
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direction of the Company, terminate the Deposit Agreement by providing notice of such termination to the Holders of all Receipts then outstanding at least 30 days prior to the date fixed in such notice for such termination. If 90 days shall have expired after (i) the Depositary shall have delivered to the Company a written notice of its election to resign, or (ii) the Company shall have delivered to the Depositary a written notice of the removal of the Depositary, and in either case a successor depositary shall not have been appointed and accepted its appointment as provided in herein and in the Deposit Agreement, the Depositary may terminate the Deposit Agreement by providing notice of such termination to the Holders of all Receipts then outstanding at least 30 days prior to the date fixed for such termination. On and after the date of termination of the Deposit Agreement, the Holder will, upon surrender of such Holders' Receipt(s) at the Principal Office of the Depositary, upon the payment of the charges of the Depositary for the surrender of ADSs referred to in paragraph (2) hereof and in the Deposit Agreement and subject to the conditions and restrictions therein set forth, and upon payment of any applicable taxes or governmental charges, be entitled to Delivery, to him or upon his order, of the amount of Deposited Securities represented by such Receipt. If any Receipts shall remain outstanding after the date of termination of the Deposit Agreement, the Registrar thereafter shall discontinue the registration of transfers of Receipts, and the Depositary shall suspend the distribution of dividends to the Holders thereof, and shall not give any further notices or perform any further acts under the Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights as provided in the Deposit Agreement, and shall continue to deliver Deposited Securities, subject to the conditions and restrictions set forth in the Deposit Agreement, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in

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exchange for Receipts surrendered to the Depositary (after deducting, or charging, as the case may be, in each case the charges of the Depositary for the surrender of a Receipt, any expenses for the account of the Holder in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges or assessments). At any time after the expiration of six months from the date of termination of the Deposit Agreement, the Depositary may sell the Deposited Securities then held hereunder and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, in an unsegregated account, without liability for interest for the pro rata benefit of the Holders whose Receipts have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement with respect to the Receipts and the Shares, the Deposited Securities and the ADSs, except to account for such net proceeds and other cash (after deducting, or charging, as the case may be, in each case the charges of the Depositary for the surrender of a Receipt, any expenses for the account of the Holder in accordance with the terms and conditions of the Deposit Agreement and any applicable taxes or governmental charges or assessments). Upon the termination of the Deposit Agreement, the Company shall be discharged from all obligations under the Deposit Agreement except as set forth in the Deposit Agreement.

(24) Compliance with U.S. Securities Laws. Notwithstanding any provisions in this Receipt or the Deposit Agreement to the contrary, the withdrawal or delivery of Deposited Securities will not be suspended by the Company or the Depositary except as would be permitted by Section I.A.(1) of the General Instructions to the Form F-6 Registration Statement, as amended from time to time, under the Securities Act of 1933.

(25) Certain Rights of the Depositary; Limitations. Subject to the further terms and provisions of this paragraph (25), the Depositary, its Affiliates and their agents, on their own behalf and on behalf of their clients, may own and deal in any class of securities of the Company and its Affiliates and in ADSs. The Depositary may issue ADSs against evidence of rights to receive Shares from the Company, any agent of the Company or any custodian, registrar, transfer agent, clearing agency or other entity involved in ownership or transaction records in respect of the Shares. Such evidence of rights shall consist of written blanket or specific guarantees of ownership of Shares. In its capacity as Depositary, the Depositary shall not lend Shares or ADSs; provided, however, that the Depositary may (i) issue ADSs prior to the receipt of Shares pursuant to Section 2.3 of the Deposit Agreement and (ii) deliver Shares prior to the receipt of ADSs for withdrawal of Deposited Securities pursuant to Section 2.7 of the Deposit Agreement, including ADSs which were issued under (i) above but for which Shares may not have been received (each such transaction a "Pre-Release Transaction"). The Depositary may receive ADSs in lieu of Shares under (i) above and receive Shares in lieu of ADSs under (ii) above. Each such Pre-Release Transaction will be (a) accompanied by or subject to a written agreement whereby the person or entity (the "Applicant") to whom ADSs or Shares are to be delivered (w) represents that at the time of the Pre-Release Transaction the Applicant or its customer owns the Shares or ADSs that are to be delivered by the Applicant under such Pre-Release Transaction, (x)

A-21

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agrees to indicate the Depositary as owner of such Shares or ADSs in its records and to hold such Shares or ADSs in trust for the Depositary until such Shares or ADSs are delivered to the Depositary or the Custodian, (y) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Shares or ADSs and (z) agrees to any additional restrictions or requirements that the Depositary deems appropriate, (b) at all times fully collateralized with cash, U.S. government securities or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days notice and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will normally limit the number of ADSs and Shares involved in such Pre-Release Transactions at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (i) above), provided, however, that the
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Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The Depositary may also set limits with respect to the number of ADSs and Shares involved in Pre-Release Transactions with any one person on a case by case basis as it deems appropriate. The Depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided pursuant to (b) above, but not earnings thereon, shall be held for the benefit of the Holders (other than the Applicant).

A-22

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(ASSIGNMENT AND TRANSFER SIGNATURE LINES)

FOR VALUE RECEIVED, the undersigned Holder hereby sell(s), assign(s) and transfer(s) unto ________________________________ whose taxpayer identification number is ________________________ and whose address including postal zip code is _________________, the within Receipt and all rights thereunder, hereby irrevocably constituting and appointing _________________________ attorney-in-fact to transfer said Receipt on the books of the Depositary with full power of substitution in the premises.

Dated:

Name:____
By:
Title:

NOTICE: The signature of the Holder to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

If the endorsement be executed by an attorney, executor, administrator, trustee or guardian, the person executing the endorsement must give his/her full title in such capacity and proper evidence of authority to act in such capacity, if not on file with the Depositary, must be forwarded with this Receipt.

All endorsements or assignments of Receipts must be guaranteed by a member of a Medallion Signature Program approved by the Securities Transfer Association, Inc.

SIGNATURE GUARANTEED

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Legends

[The Receipts issued in respect of Partial Entitlement ADSs shall bear the following legend on the face of the Receipt: "This Receipt evidences ADSs representing `partial entitlement' equity shares, par value Rs.2 per share ("Shares"), of Satyam Computer Services Limited and as such do not entitle the holders thereof to the same per-share entitlement as other Shares (which are `full entitlement' Shares) issued and outstanding at such time. The ADSs represented by this Receipt shall entitle holders to distributions and entitlements identical to other ADSs when the Shares represented by such ADSs become `full entitlement' Shares.]

[This certificate represents "Restricted ADSs" issued upon the terms of Section 2.12 of the Deposit Agreement (as hereinafter defined). This certificate and the Restricted ADSs represented hereby may not be sold or otherwise transferred without an effective registration statement for such securities under the Securities Act of 1933, as amended, or unless an exemption from registration under said act is available for such sale or transfer.

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EXHIBIT B

FEE SCHEDULE

DEPOSITARY FEES AND RELATED CHARGES

All capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Deposit Agreement.

I. Depositary Fees

The Company, the Holders, the Beneficial Owners and the persons depositing Shares or surrendering ADSs for cancellation agree to pay the following fees of the Depositary:

<TABLE>
<CAPTION>

Service	Rate	By Whom Paid
<S>	<C>	<C>
(1) Issuance of ADSs upon deposit of Shares (excluding issuances contemplated by paragraphs (3)(b) and (5) below).	Up to $5.00 per 100 ADSs (or fraction thereof) issued.	Person for whom deposits are made or person receiving ADSs.
(2) Delivery of Deposited Securities, property and cash against surrender of ADSs.	Up to $5.00 per 100 ADSs (or fraction thereof) surrendered.	Person surrendering ADSs or making withdrawal.
(3) Distribution of (a) cash dividend or (b) ADSs pursuant to stock dividends (or other free distribution of stock).	No fee, so long as prohibited by the exchange upon which the ADSs are listed. If the charging of such fee is not prohibited, the fees specified in (1) above shall be payable in respect of a distribution of ADSs pursuant to stock dividends (or other free distribution of stock) and the fees specified in (4) below shall be payable in respect of distributions of cash.	Person to whom distribution is made.
(4) Distribution of cash proceeds (i.e., upon sale of rights and other entitlements).	Up to $2.00 per 100 ADSs (or fraction thereof) held.	Person to whom distribution is made.

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(5) Distribution of ADSs pursuant to exercise of rights to purchase additional ADSs.	Up to $5.00 per 100 ADSs (or fraction thereof) issued.	Person to whom distribution is made.

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II. Charges

Holders, Beneficial Owners, persons depositing Shares for deposit and persons surrendering ADSs for cancellation and for the purpose of withdrawing Deposited Securities shall be responsible for the following charges:

(i) taxes (including applicable interest and penalties) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Securities on the share register and applicable to transfers of Shares or other Deposited Securities to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or Holders and Beneficial Owners of ADSs;

(iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency;

(v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, Deposited Securities, ADSs and ADRs; and

(vi) the fees and expenses incurred by the Depositary in connection with the delivery of Deposited Securities.

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CHARTER AND BYE-LAWS

Satyam

Charter and Bye-laws of

Satyam Computer Services Ltd.

प्रारूप, आई. आर.
Form I.R.

निगमन का प्रमाण-पत्र

CERTIFICATE OF INCORPORATION

ता...का सं..

No... 7564 .....of 19.... 87-88

मैं एतद्द्वारा प्रमाणित करता हूं कि आज..

....

....

कम्पनी अधिनियम, 1956 (1956 का 1) के अधीन निगमित की गई है और यह कम्पनी परिसीमित है।

I hereby certify that SATYAM COMPUTER SERVICES PRIVATE LIMITED

....

Is this day incorporated under the Companies Act, 1956 (No.1 of 1956) and that the Company is limited.

मेरे हस्ताक्षर से आज ता...को दिया गया।

Given under my hand at HYDERABAD this..... 24th

day of... JUNE .....One thousand nine hundred and......Eighty Seven
(3rd Asadha 1909 Saka)

REGISTRAR OF COMPANIES
ANDHRA PRADESH

Sd/-
(R. K. BHATTACHARJEE
कम्पनियों का रजिस्टर
Registrar of Companies
Andhra Pradesh

जे.एस.सी. – 1
J.S.C-1.

COMPANY No. 01-07564

Fresh Certificate of Incorporation consequent on Change of Name

In the Office of the Registrar of Companies, Andhra Pradesh (Under the Companies Act. 1956) (1 of 1956)

In the matter of **SATYAM COMPUTER SERVICES PRIVATE LIMITED**

I hereby certify that **SATYAM COMPUTER SERVICES PRIVATE LIMITED** which was originally incorporated on **24th** day of June, 1987 under the Companies Act, 1956 and under the name Satyam Computer Services Private **Limited** having duly passed the necessary special resolution on **15th** day of **July, 1991** in terms of Section 21 of the Companies Act, 1956 that the name of the company is this Certificate is day changed to Satyam Computer Services **Limited** and this Certificate is issued pursuant to Section 23 (1) of the said Act. Given under my hand at **Hyderabad** this 26th day of **August** (One thousand nine hundred and **Ninety One**).

(R. VASUDEVAN)
Registrar Companies
Andhra Pradesh, Hyderabad.

CHARTER

<u>INDEX</u>

Satyam

UNDER THE COMPANIES ACT, 1956

(1 of 1956)

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

SATYAM COMPUTER SERVICES LIMITED

I. The Name of the Company is SATYAM COMPUTER SERVICES LIMITED.

II. The Registered Office of the Company will be situated in the State of Andhra Pradesh.

III. The Objects for which the Company is established are :

(A) The Main objects to be pursued by the Company on its incorporation are :

1. To manufacture either for its own use or for sale in India or for export outside India computer systems, computer peripherals and accessories, computer consumables like floppy disks/diskettes, hard disks, ribbons, continuous and non-continuous stationery etc., and such other products or things which may be considered either as an Integral part of a computer system or as an optional attachment or supplement thereto;

2. To undertake the designing and development of systems and application software either for its own use or for sale in India or for export outside India and to design and develop such systems and application software for or on behalf of manufacturers, owners and users of computer systems and digital/electronic equipments in India or elsewhere in the world;

3. To set up and run electronic data processing centres and to carry on the business of data processing, word processing, software consultancy, system studies, management consultancy, techno-economic feasibility studies of projects, design and development of management information systems, share/debenture issues management and/or registration and share/debenture transfer agency ;

4. To undertake and execute feasibility studies for computerisation, setting up of all kinds of computer systems and digital/electronic equipments and the selection, acquisition and installation thereof whether for the company or its customers or other users;

5. To conduct, sponsor or otherwise participate in training programmes, courses, seminars and conferences in respect of any of the objects of the company and for spreading or imparting the knowledge and use of computers and computer programming languages including the publication of books, journals, bulletins, study/course materials, circulars and news-letters; and

6. To undertake the business as agents, stockists, distributors, franchise holders or otherwise for trading or dealing in computer systems, peripherals, accessories, parts and computer consumables like floppy disks, hard disks, continuous and non-continuous stationery, ribbons and other allied products and things and standard software packages.

(B) The objects that are incidental or ancillary to the attainment of the main objects are :

1. To pay-either in cash or by allotment of shares or otherwise as the company deems fit-all costs, charges and expenses incurred or sustained in or about the promotion and establishment of the company which the company shall consider to be in the nature of preliminary expenses ;

2. To purchase or otherwise acquire, take on lease or rent computer systems and digital/electronic equipments of all kinds ;

3. To adopt and carry into effect, with or without modification, all or any of the arrangements made for the purpose of achieving any of the company's objects mentioned in clauses III (A) and III (C) hereof;

4. To purchase, take on lease or otherwise acquire for the purposes of the company estates, lands, buildings, easements or other interests in real estate, and to sell, let on lease or otherwise dispose of or grant rights over any real property belonging to the Company ;

5. To purchase, take on lease or otherwise acquire, erect, maintain, reconstruct and adopt offices, factories, sheds, workshops, mills, plant, machinery and other things found necessary or convenient for the purposes of the company ;

6. To purchase or otherwise acquire all or any part of the business, properties and liabilities of any company, society, partnership or person, formed for all or any part of the purpose within the objects of this company and to conduct and carry on, or liquidate and wind up any such business ;

7. To promote any other company or companies for the purpose of taking over all or any of the properties, rights and liabilities of the company, or for any other purpose which may seem directly or indirectly calculated to benefit the company ;

8. To enter into any arrangements with any Government authority, undertakings or corporations controlled or owned by any Government or any person (s) including any individual, firm, body corporate or other association of individuals, whether incorporated or not, society and trust whether in India or abroad that may seem conducive to the company's objects or any of them and to obtain from any such Government authority, undertakings, corporations and person(s) any rights privileges and concessions which the Company may deem desirable to obtain and to carry out, exercise and comply with any such arrangements, rights, privileges and concessions ;

9. To amalgamate or enter into partnership or into any arrangement for sharing of profits, union of interest, co-operation, joint venture, reciprocal concession or otherwise with any person, whether an individual, association, firm, body corporate, corporation or otherwise carrying on or engaged in or about to carry on or engage in any business or transaction which the company is authorised to carry on or engage in, or in any business or transaction capable of being conducted so as directly or indirectly to benefit the company;

10. To acquire and undertake the whole or any part of the business properties and liabilities of any person whether an individual, association, firm, body corporate, corporation or otherwise carrying on any business which the company is authorised to carry on, or possessed of property suitable for the purposes of the Company ;

11. To enter into arrangement or agreements with any other person, whether an individual, association, firm, body corporate, corporation or otherwise, for the carrying out by such other person on behalf of the company, of any of the objects of the Company ;

12. To apply for, purchase or otherwise acquire any patents, patent rights, copyrights, trademarks, formulae, licences, concessions and the like, conferring any exclusive, non-exclusive or limited right to use, or any secret or other information as to any invention which may seem capable of being used for any of the purposes of the company, or the acquisition of which may seem calculated directly or indirectly to benefit the Company and to use, exercise, develop, or grant licences in respect of, or otherwise turn to account the property, rights or information so acquired ;

13. To enter into collaboration agreement(s) with any person(s) including Government(s) or any other authority within or outside India-whether the nature of the agreement is financial, technical or otherwise on such terms and conditions as the company deems fit;

14. To import into and export from India the technology in respect of the products mentioned in clauses III (A) and III (C) hereof on such terms and conditions as the company deems fit ;

15. To carry on research and development work and experiments in connection with the business of the Company;

16. To let on lease or on hire or otherwise the whole or any part of the real and personal properties of the Company on such terms as the company shall determine ;

17. Subject to Section 3 (1) (iii) of the Companies Act, 1956, to issue shares, debentures, debenture stock or other securities on such terms and conditions as the company shall determine and to purchase, redeem, pay off or convert into equity any such securities on such terms and conditions as the company shall determine ;

18. To borrow, raise money(s) or secure obligations (whether of the company or any other person) in any manner and subject to such terms and conditions including the payment of guarantee commission to persons including the directors of the company as the company shall determine ;

19. To advance and lend money(s) with or without security, and on such terms and conditions as the company shall determine ;

20. To invest and deal with the money(s) of the company in such manner as the company shall determine.

21. Subject to section 58A of the Companies Act, 1956 and the rules framed thereunder in consultation with the Reserve Bank of India, to receive money(s) on deposit, on such terms and conditions as the company shall determine, without carrying on banking business within the meaning of the Banking Regulations Act, 1949 and also to pay brokerage on such deposits ;

22. To subsidise, assist and guarantee any payment of money, by or the performance of any contract, engagement or obligation by any person;

23. To open bank accounts of all kinds including overdrafts and to draw, make, accept, endorse, discount, negotiate, execute and issue cheques, bills of exchange, promissory notes, bills of lading, warrants and other negotiable or transferable instruments or securities ;

24. To adopt such means of making known and advertising the business and products of the company as may seem expedient to the company ;

25. To appoint officers, staff, trainees and other types of personnel for the company and to dispense with their services and to carry out or cause to be carried out all functions necessary to implement the objects of the company ;

26. To transfer, sell or otherwise dispose of all or any of the businesses, properties and undertakings of the company for any consideration which the company may deem fit to accept ;

27. To establish agencies and to regulate and discontinue the same and to pay such remuneration to agents as the company shall determine ;

28. To open, maintain and close branches and depots ;

29. To establish, promote and otherwise assist any person whether an individual, firm, association, body corporate including companies or corporation or otherwise for the purpose of acquiring any property (ies) or furthering any objects of the company;

30. To do in any part of the world, all or any of the matters hereby authorised either alone or jointly, whether as factors, trustees or agents;

31. To do all such things as are necessary for the company or its nominee(s) to become members or to be otherwise associated with national and international associations, institutes or other organisations, so as to promote or strengthen the company's interests on such terms and conditions as may be determined by the company ;

32. (a) To undertake, carry out, promote and sponsor rural development including any programme for the social and economic welfare of the public in any rural areas ;

    (b) To incur any expenditure on the aforesaid development and programmes, and to otherwise assist in the execution and promotion thereof, whether directly, or indirectly ;

    (c) Without prejudice to the generality of the foregoing, Programme of Rural Development shall also include any programme for the social and economic welfare of the public in any rural area in such manner as the company thinks fit, and 'rural area' shall include all areas that can be regarded so under the provisions of the Income Tax Act or any other law-relating to rural development in force from time to time ;

(d) in order to achieve any of the foregoing, the company may divest without consideration or at such fair or concessional rates as it thinks fit, or to otherwise transfer any property or goods of the company to or in favour of any public or local body or authority, Central or State Government, governmental agencies, public institutions, trusts or funds recognised or approved by the Central Government or State Governments or by any authority specified for the purpose by such Government(s);

33. (a) To undertake, carry out, promote, sponsor or to otherwise assist any activity for the promotion and growth of national economy and for what the company may consider to be its moral or social responsibility to the public or a section thereof, or what the company considers likely to promote national welfare or social, economic or moral uplift of the public or any section thereof, in such manner as the company thinks fit ;

(b) without prejudice to the generality of the foregoing, the company may undertake, carry out, promote and sponsor any activity in connection with the publication of any books, literature, newspapers or other documents or organising lectures or seminars for advancing the said objects or giving merit awards, scholarships, loans or any other assistance to deserving persons directly or through an institution, fund or trust;

(c) in order to achieve any of the forgoing, the company may divest without consideration at such fair or concessional rates as it thinks or otherwise transfer any properties or goods of the company to or in favour of any public or local body or authority, central or state government, governmental agencies, public institutions, trusts or funds recognised or approved by the Central Government or State Governments or any authorities specified for the purpose by such Governments ;

34. Subject to the provisions of the Act, to subscribe to or contribute to or undertake or otherwise assist any national, charitable, benevolent, religious, public, scientific, rural, general or other useful object or institution as the company deems fit ;

35. To provide for the welfare of directors or persons in the employment of the company, or formerly in the employment of the company and the wives, widows and other family members of such persons by grants of money, pensions, superannuation, gratuity, insurance, bonus, medical benefits or otherwise ;

36. To establish and maintain or procure the establishment and maintenance of any non-contributory or contributory provident, gratuity, pension or superannuation funds and give and procure the giving of moneys, pension, superannuation, gratuity, insurance, bonus, medical benefits or other amounts to any directors or persons who are or were at any time in the employment or service of the company ;

37. To establish, undertake and execute or procure the establishment, undertaking execution of any trust, either gratuitously or otherwise;

38. To procure the company to be registered or recognised in any foreign country ;

39. To arrange for risks of all kinds likely to affect the company to be covered by insurance ;

40. Subject to the provisions of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1985, to contribute to any political party or for any political purpose to any person ; and

41. To distribute any of the properties of the company in specie among the shareholders at the time of winding up.

(C) The other objects for which the company is formed are:

1. To carry on the business of giving on lease or rent, or sell under a scheme of hire purchase or instalment, computers, digital/electronic equipments, computer hardware and software products, computer peripherals and consumables and accessories thereof;

2. To undertake and execute systems audits for persons owning or using computer systems and to generally assist them in more economic and/or efficient utilisation thereof ;

3. To provide consultancy services in regard to the design, development, manufacture and use of all products and things incorporated in clauses III (A) and III (C) hereof ;

4. To undertake and execute job works in relation to and/or to give others job works in respect of, any of the business mentioned in the main and other objects of the company ;

5. To set up and run electronic video games parlours and recreation centres ;

6. To carry on the business of agriculture, orcharding , horticulture, floriculture, sericulture, apiculture, fishery and pisciculture ;

7. To bread, raise, buy, sell and deal in all kinds of poultry products and seeds, to establish, develop and maintain and aid in the establishment and maintenance of poultry and seed farms and ancillary operations like hatcheries, breeder houses, egg producing and distributory services;

8. To carry on the business of builders and contractors for construction work of any kind or for the demolition of any structure and to manufacture for own consumption or for sale all kinds of bricks, prefabricated building materials and other products used in construction activity ;

9. To carry on the business of duck, sheep and rabbit breeding/rearing and to manufacture for sale woolens and wool based garments, fabrics, cloth, blankets, rugs, carpets, threads, embroidery threads and other products ;

10. To carry on the business of extraction of oil from all oil bearing commodities and seeds by solvent extraction process or otherwise ;

IV. The liability of the members is limited.

V.* The Authorized Share Capital of the Company is Rs. 1,60,00,00,000 # (Rupees One hundred and sixty crores only) divided into 80,00,00,000 (Eighty Crores only) equity Shares of the face value of Rs.2/- (Rupees Two only) each, with power to increase and reduce the Capital of the Company and to divide the shares in the Capital for the time being into several classes and attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association for the time being in force and to vary, modify, or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Act or by the Articles of Association of the Company for the time being in force.

Increased vide the ordinary resolution passed at the 19th Annual General Meeting held on 21.08.2006 from Rs.75 crores to Rs. 160 crores.

** Amended vide the Ordinary resolution passed at the 13th Annual General Meeting held on 26.5.2000*

♦ Increased vide the Special resolution passed at the 12th Annual General Meeting held on 28.5.1999 from Rs.30 crores to 75 crores.

We, the several persons, whose names and addresses are subscribed hereto are desirous of being formed into a Company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the Capital of the Company set opposite to our respective names :

S.No.	Name & Addresses, description, occupation and signature of subscribers	Number of equity shares taken by each subscriber	Name, Signature, description and occupation and address of the witness to the above signature
1.	B. RAMALINGA RAJU S/o B. Satyanarayana Raju Plot 17, P & T Colony, Secunderabad-500 003. Company Director	10 (Ten)	Sd/- (K. SRIVAS) S/o. Late K. Gopalan Chartered Accountant No.42, 1st Floor, 2nd Main Road, Shanti Nagar, Hyderabad-500 028.
2.	D.VENKATA SATYANARAYANA RAJU S/o G. Gopala Raju 95, B.H.E.L. Enclave Akbar Road, Secunderabad Consultant	10 (Ten)	
	Total number of equity shares taken	20 (Twenty)	

Dated this 15th day of June, 1987 at Hyderabad.

BYE-LAWS

Satyam

INDEX

Satyam

UNDER THE COMPANIES ACT, 1956

(1 of 1956)

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

SATYAM COMPUTER SERVICES LIMITED

GENERAL

1. Regulations contained in Table A in the First Schedule to the Act shall apply and so far only as they are not inconsistent with any of the provisions contained in these Regulations and also those for which no provision have been made in these Regulations.

Application of Table A in Schedule I of the Act.

2. In these regulations :

Unless the context otherwise requires :

Interpretation clause

a) The words or expressions contained in these Regulations shall bear the same meaning as in the Act or any Statutory modifications thereof.

b) "The Company" or "This Company" means SATYAM COMPUTER SERVICES LIMITED

"The Company" or 'This Company"

c) "The Act" The Companies Act, 1956 or any statutory modifications or re-enactments thereof for the time being in force including Rules framed under the different Sections.

"The Act"

d) "The Seal" means the Common Seal of the Company.

"The Seal"

e) "Dividend" includes bonus

"Dividend"

f) 'In Writing" and "Written" include printing lithography and other modes of representing or reproducing, words in a visible form.

"In Writing & Written"

g) "Member" means a person who agrees in writing to become a member of the Company and whose name is entered in the Register of Members.

"Member"

h) "Month" means a calendar month.

"Month"

i) "Office" means the Registered Office for the time being of the Company

"Office"

j) "Paid-up" includes credited as paid up

"Paid-up"

k) "Person" includes corporations, societies and individuals

"Person"

l) "The Registrar" means the Registrar of Companies having jurisdiction over the Company.

"The Registrar"

m) "Secretary" includes a Temporary or Assistant Secretary and any person or persons appointed by the Board to perform any of the duties of a Secretary subject to Section 383A of the Act.

"Secretary"

n) Words imparting the "Singular Number" include, where the context admits or requires, the plural number and vice-versa

"Singular Number"

"Year and Financial Year"

o) "Year" means the calendar year and 'Financial Year" shall have the meaning assigned thereto by Section 2 (17) of the Act.

"Gender"

p) Words imparting the masculine gender also include Feminine gender and vice-versa.

"Marginal Notes"

q) "Marginal Notes" used in these Articles shall not affect the construction or interpretation hereof.

Save as aforesaid any words or expressions defined in the Act shall if not inconsistent with the subject or context, bear the same meaning in these Articles.

SHARE CAPITAL

Amount of Capital and Division of Capital

3. *a) The Authorized Share Capital of the Company shall be as stated in Clause V of the Memorandum of Association of the Company

Power to issue Preference Including Redeemable Preference Shares

b) The Company shall have power to issue Preference Shares including redeemable preference shares in accordance with the provisions of Section 80 and 85 of the Act.

Further issue of share capital subsequent to the first allotment of shares

c) Where at any time subsequent to the first allotment of shares, it is proposed to increase the subscribed capital by the issue of new shares, subject to any directions to the contrary which may be given by the Company in general meeting and subject only to these directions, such new shares shall be issued in accordance with the provisions of Section 81 of the Act.

Power to issue shares at discount

d) The Company shall have power to issue shares at a discount, but in doing so, the Company shall comply with the provisions of Section 79 of the Act.

Power to issue shares at a premium

e) The Company shall have power to issue shares at a premium, but in doing so, the Company shall comply with the provisions of Section 78 of the Act.

Shares under control of Board

4. Subject to the provisions of these Articles and of the Act, the shares shall be under the control of the Board of Directors who may allot or otherwise dispose of them to such persons on such terms, conditions, and at such times as the Board thinks fit and with full power to give any person the option to call for or allot shares of any class of the Company either at a premium or at par or at a discount and such option being exercisable for such time and for such consideration as the Board thinks fit.

Provided that an option or right to call off shares shall not be given to any person except with the prior sanction of the company in the General Meeting

Directors may allot shares as fully paid-up

5. Subject to the provisions of the Act and these Articles, the Directors may issue and allot shares in the capital of the Company as payment or part payment for any property or Assets of any kind whatsoever (including good-will of any Business) sold or transferred, goods or machinery or know-how supplied or for services rendered to the Company either in or about the formation or promotion of the Company or in the conduct of its business and any shares which may be so allotted may be issued as fully paid –up or partly paid-up otherwise than in cash, and if so issued shall be deemed to be fully paid-up or partly paid-up shares as aforesaid. The directors shall cause returns to be filed of any such allotments as provided by Section 75 of the Act.

* *Substituted vide the Special Resolution passed at the 12th Annual General Meeting held on 28th May 1999*

ALTERATION OF SHARE CAPITAL

6. 1. The Company shall have power to alter the conditions of the memorandum as follows, that is to say, it may ;

a) increase its share capital by such amount as it thinks expedient by issuing new shares; — Increase of share Capital

b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; — Consolidation and division of shares

c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced shares is derived; — Sub-division of shares

d) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled provided however the cancellation of shares in pursuance of the exercise of this power shall not be deemed to be a reduction of share capital within the meaning of the Act. — Cancellation of shares

6. 2. The powers conferred by this regulation shall be exercised by the Company in General Meeting and shall not require to be confirmed by the Court. — Above powers to be exercised in General Meeting

7. The Company shall have power:

a) to reduce any share premium account or its share capital in accordance with the provisions of Section 78 read with section 100 of the Act. — Reduction of share premium account or share capital

b) to reduce any capital redemption reserve account in accordance with Section 80 read with Section 100 of the Act — Reduction of capital Redemption reserve Account

PAYMENT OF COMMISSION AND BROKERAGE

8. a) The Company may exercise the powers of paying commission provided that the rate percent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by Section 76 of the Act. — Disclosure of rate of commission

b) The rate of commission shall not exceed the maximum percentage provided for in Section 76 of the Act. — Maximum rate of Commission

c) The commission may be satisfied by payment of cash or the allotment of fully or partly paid-up shares or partly in one way and partly in other. — Commission how paid

d) The Company may also, on any issue of shares and debentures pay such brokerage as may be lawful and reasonable as per the provisions of the Act. — Power to pay Brokerage

VARIATION OF SHAREHOLDERS RIGHTS

9. a) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the share of that class) may be subject to the provisions of Sections — Application of rights to any class of shares how effected

106 and 107 of the Act and whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special Resolution passed at a separate meeting of the holders of the shares of that class.

Provisions relating to General Meetings how far applicable to Meetings of different class of share holders.

Conditions under which rights conferred upon holders of shares of any class be varied by creation or by issue of further Shares

b) Subject to the provisions of Section 170 (2) (a) and (b) of the Act or any statutory modifications thereof, to every such separate General Meeting, the provisions of these Regulations relating to General Meetings shall mutatis mutandis apply so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class in question.

TRUSTS ENTRY IN REGISTER OF MEMBER

Trust not ordinarily recognised

10. Subject to Section 49 of the Act and without prejudice to the Provisions of Section 42 (2) of the Act and or any statutory Modifications thereof, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable contingent, future or partial interests in any share or any interest in any fractional part of a share or any other rights in respect of any share except an absolute right to the entirety thereof in the registered holders.

CERTIFICATES

Certificate of title to Share

11. a) i) The Certificate of title to share shall be issued under the seal of the Company and shall be issued, sealed and signed in conformity with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 or any statutory modification or re-enactment thereof for the time being in force. Any two or more joint allottees or owners of a share shall, for the purpose of this Article, be treated as a single member and the Certificate of any shares may be delivered to any one of such joint allottees or owners on behalf of all of them. The Company shall comply with the provisions of Section 113 of the Act.

ii) The Company shall, within two months after the allotment of any of its shares, debentures or debenture stock, and within one month after the application for the registration of the transfer of any such shares, debentures or debenture stock, deliver in accordance with the procedure laid down in Section 113 of the Act the certificates of all shares, debentures and certificates of debenture stocks allotted or transferred, unless the conditions of issue of the shares, debentures or debenture stock otherwise provide.

One Certificate for all Shares

b) i) Every member in the first instance shall be entitled to one or more certificates as issued by the Company for all the shares registered in his name and every certificate of shares shall specify the number or numbers of shares, in respect of which it is issued, and the amount paid-up thereon or credited thereto.

Market lots

b) ii) Share Certificates shall be generally issued in market lots and where share certificates are issued in other than market lots, sub-division, consolidation of share certificates into market lots shall be done by the Company free of charge.

c) If any certificate be worn out, defaced, destroyed or lost, a new one or new ones may be issued in lieu thereof, on production to the Directors, of evidence satisfactory to them, of its being worn out, defaced, destroyed, or lost, or in default of such evidence on such indemnity being given as the Directors may think sufficient.

Issue of a new certificate in lieu of one defaced, lost or destroyed

d) i) No fee shall be charged for the issue of new share certificates in replacement of those certificates which are defaced, old, worn out, decrepit or where cages on the reverse of Share Certificates are completely exhausted.

No fee for new Certificate

ii) No fee shall be charged for the following, for split, consolidation, renewal and pucca transfer receipt into denominations corresponding to the market units of trading or for sub-division of renounceable letter of Rights or for registration of any Power of Attorney, Probate, Letters of Administration or Death Certificate or for similar other documents.

iii) However a fee of Re.1/- shall be charged in respect of new certificate issued for reasons other than those mentioned in 11 (d) (i) and 11 (d) (ii) above, besides the out-of-pocket expenses incurred by the Company in investigating evidence or indemnity required by the company.

e) In respect of any share or shares held jointly by several persons, the delivery of certificate for share to one of several joint shareholders shall be sufficient delivery to all such shareholders.

Issue of certificate in case of joint share holders

CALLS ON SHARES

12. a) i. The Board may, from time to time, make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times.

Calls and revision thereon

Provided that no call shall exceed one half of the nominal value of the shares.

ii. Each member shall, subject to receiving atleast thirty days notice specifying the time or times and place of payment pay to the Company at the time or times and place so specified the amount called on his shares.

Notice of call

iii. A call may be revoked or postponed at the discretion of the Board.

Revocation & postponement of call

b) A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be required to be paid by instalments.

When call deemed to be made

c) The Joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

Liability of Joint holders

d) i. If a sum called in respect of a share is not paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment of 12% (Twelve percent) per annum or at such lower rate, if any, as the Board may determine.

Interest payable on call if not paid in time

Power of the Board to waive payment of interest

ii. The Board shall be at liberty to waive payment of such interest wholly or in part,

Sums payable on allotment deemed to be calls

e) i. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purpose of these Regulations, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable, provided, however, notwithstanding anything in the provision Article 12 (a) (i) above, such sum may exceed one half of the nominal value of the share.

Effect of non-payment

ii. In case of non-payment of such sum, all the relevant provisions of these Regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

f) The Board may, if it thinks fit, receive from any member willing to pay in advance, all or any part of the money due upon the shares held by him beyond the sums actually called for. The Company may pay interest at a rate not less than 15% on the calls paid in advance and accepted in excess of the amount of calls. They shall not rank for dividends or confer a right to vote or participate in profits until the same would but for such payment, become presently payable. The Board may, at any time repay the amount, so advanced upon giving to such member three months notice in writing.

LIEN

Lien on shares

13. a) The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that Article 10 thereof will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares will operate as a waiver of the Company's lien, if any, on such shares. The directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause.

Power of sale of shares on which there is a lien

b) The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien ; Provided that no sale shall be made:

i) unless the sum in respect of which the lien exists is presently payable; or

Period after which the sale to be effective in the case of registered holders

ii) until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

c) i) To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof.

Transfer of shares subject to lien

ii) The purchaser shall be registered as the shareholder of the shares comprised in any such transfer.

Purchaser to be Registered as shareholder

iii) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by irregularity or invalidity in the proceedings in reference to the sale.

Purchaser's title unaffected

d) i) The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

Application of proceeds of sale

ii) The residue, if any, shall subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.

Excess of sale proceeds to be paid to Shareholders

e) No member shall exercise any voting rights in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised any right of lien.

Restriction on exercise of voting Right of members who have not paid calls etc.

FORFEITURE OF SHARES

Registered unpaid call

14. a) If a member fails to pay a call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on such member requiring payment of so much of the call or instalments as is unpaid, together with any interest which may have accrued.

b) The notice aforesaid shall :

Form of notice

i.) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made ; and

Date of Payment

ii) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made, will be liable to be forfeited.

Effect of non-payment

c) If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time, thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

Forfeiture of shares

d) i) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

Disposal of forfeited Shares

Power to cancel forfeiture

ii) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

Liability of forfeiture

e) i) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture, were presently payable by him to the Company in respect of the shares.

Liability when ceases

ii) The liability of such person shall cease if and when the company shall have received payment in full of all such monies in respect of the shares.

Declaration of forfeiture of shares to be conclusive Evidence

f) i) A duly verified declaration in writing that the declarant is a Director, the Manager or the Secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

Company to transfer shares on disposal

ii) The Company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.

Transferee to be Shareholder

iii) The transferee shall thereupon be registered as the holder of the share.

Transferee's title unaffected

iv) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

Application of forfeiture provisions to sum payable otherwise than on calls

g) The provisions of these Regulations as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share, become payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Effect of forfeiture

h) The forfeiture of share shall involve the extinction of all Interest in and also of all claims and demands against the Company in respect of the share, and all other rights incidental to the share except only such of those rights as by these Articles are expressly saved.

TRANSFER AND TRANSMISSION OF SHARE

Certain provisions of the Act to be complied with in registering transfer and transmission of Shares

15. In registering a transfer and transmission of shares, the Company shall comply with the provisions of the Act or any statutory modifications thereof.

Who is to execute transfer of shares

16. a) The instrument of transfer of any share in the Company shall be executed by or on behalf of both the transferor and transferee. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

Form of transfer

b) i) Shares in the company shall be transferred in the form prescribed by the Companies (Central Government's) General Rules and Forms, 1956. The Instrument of transfer shall be in writing and all the provisions of section 108 of the Act and of any statutory modifications thereof for the time being in force shall be complied with in respect of all transfer of shares and registration thereof.

b) ii)The Company shall issue Certificate within one month of the date of lodgement for transfer, subdivision, consolidation, renewal, exchange or endorsement of calls/allotment monies.

iii) The Company shall not charge any fees (a) for Registration of Transfers, sub-division and consolidation of shares and debentures, certificates and for letters of allotments, (b) for sub-division of renounceable letters of Right; (c) for issue of new certificates in replacement of those which are old, decrepit or wornout, or where the cages on the reverse for recording transfers have been fully utilised ; and (d) for registration of any power of attorney, probate, letters of administration or death certificate or similar other documents.

When the Board may decline to register transfer of shares

c) Subject to the provisions of Section III of the Act and section 22A of Securities Contracts (Regulation) Act, 1956, the Board may in their absolute and unqualified discretion decline to register any transfer of shares without assigning any reason and send notice of refusal within one month to both the transferor and the transferee. The Board may also decline to recognise any transfer where,

i) the instrument of transfer is not proper or has not been duly stamped and executed or that the certificate relating to the share has not been delivered to the Company or that any other requirement of the law relating to the registration of such transfer has not been complied with, or

ii) the transfer of the share is likely to result in such a change in the composition of the Board of Directors as would be prejudicial to the interest of the Company or to the public interest, or

iii) the transfer of the shares is prohibited by any court, tribunal or any other authority under any law for the time being in force, or

iv) the transfer is of shares on which the Company has a lien. Provided that the registration of transfer shall not be refused on the ground that the transferor being either alone or jointly with any other person is indebted to the Company in any manner whatsoever, except a lien on the shares.

Power of board to suspend the registration of transfers

d) Subject to the provisions of Section 154 of the Act, the Registration of transfer may be suspended at such times and for such periods as the Board may from time to time determine not exceeding thirty days at a time and not exceeding in the aggregate 45 days in each year provided that a previous 42 days notice is given in terms of the Listing agreement.

Transmission of shares title of legal representative on death of holder

17. a) i) On the death of a member, the survivors or survivor where the member was a joint holder, and his legal representatives where he was sole holder shall be the only person recognised by the Company as having any title to his interest in the shares.

Liability in respect of the Estate of the deceased Joint-holder

ii) Nothing in clause (i) shall release the estate of the deceased jointholder from any liability in respect of any share which had been jointly held by him or other persons.

Rights of persons entitled to shares on death or insolvency of Shareholder

b) i) Any person becoming entitled to a share in consequence of the death or insolvency of a member, may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either :

i) to be registered himself as holder of the share, or
ii) to make such transfer of the share as the deceased or insolvent member could have made.

Board's right to decline or suspend registration in cases of transfer by Legal representative

ii) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member has transferred the share before his death or insolvency.

Conditions to be fulfilled by such a person electing to be shareholder or to transfer shares

c) i) If the person so becoming entitled shall elect, to be Registered as holder of the share himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.

Procedure in electing to transfer shares

ii) If the person aforesaid shall elect to transfer the share he shall testify his election by executing a transfer of the share.

Extent or applicability of regulation 16 to transfer of share effected by legal representative

iii) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member has not occurred and the notice or transfer signed by that member.

Dividend and voting Power of persons entitled to a share on death or insolvency of a member

d) A person becoming entitled to a share by reason of death or insolvency of the holder shall be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not, before being registered as a member in respect of it be entitled to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonus or other moneys, payable in respect of the share until the requirements of the notice have been complied with.

BORROWING POWERS

18. a) The Directors may, from time to time, at their discretion by means of a resolution passed at their meeting borrow, or secure the payment of any sum or sums of money for the purpose of the company, provided that the Directors shall not contravene the provisions of the Act.

Borrowing powers and Limitations thereof

Provided further that no debt incurred or security given in excess of the limit imposed by the Act shall be invalid or ineffectual except in the case of express notice to the lender or the recipient of the security at the time when the debt was incurred or security given that the limit hereby imposed has been or was hereby exceeded.

b) The Director may raise, or secure the repayment of, any sum or sums in such manner and upon such terms and conditions in all respects as they may think fit and in particular by creation of any mortgage or charge on the whole or any part of the property of the company, present or future, or on the uncalled capital of the company or by the issue of bonds, debentures or debenture stock of the company, perpetual or redeemable, charged upon all or any part of the property of the company, both present and future, including its uncalled capital for the time being.

Conditions and manner in which money may be Borrowed

c) Subject to the provisions of the Act and Companies (Acceptance of Deposit Rules, 1975) the Directors may receive deposits on such terms and bearing interest at such rates as the directors may decide from time to time. The deposits may be received from any person or persons including the directors and the shareholders of the Company.

d) The Director shall cause a proper register to be kept in accordance with the provisions of the act or charges specifically affecting the property of the company and shall duly comply with the requirements of the Act with regard to the registration of mortgages and charges. The Register of charges kept in pursuance of the Act shall be open during business hours, subject to reasonable restrictions as the Company in General Meeting may impose so that not less than two hours in each day are allowed for such inspection to any creditor or member of the Company without fee and to any other person on payment of a fee of Re.1/- for each inspection at the registered office of the Company.

Register of Charges

DEBENTURES

19. The Company shall have power to issue debentures in accordance with the provisions of the Act.

Power to issue debentures

Debentures, Debenture stock, Bonds or other securities conferring the right to allotment of or conversion into shares or the option of right to call or allotment of shares shall not be given except with the sanction of the Company in General Meeting.

Debentures

GENERAL MEETINGS

Extraordinary General Meeting

20. a) All General Meetings other than the Annual General Meeting of the company shall be called Extraordinary General Meetings.

Who may call extraordinary General Meeting

b) The Board may, whenever it thinks fit, call an Extraordinary General Meeting.

c) If at any time there are not within India, Directors capable of acting, who are sufficient in number to form a quorum, any Director or any two members of the Company may call an Extraordinary General Meeting in the same manner as nearly as possible as that in which such a meeting may be called by the Board.

Extra ordinary general Meeting by members

d) Extraordinary General Meetings may be called by the members under the provisions of Section 169 of the Act, and under conditions mentioned therein.

A) Notice for General Meetings

Period of notice

21. a) A General Meeting of the Company may be called by giving not less than twenty one days notice in writing or after giving such shorter notice as provided for in Section 171 (2) of the Act.

b) Notice of every meeting of the Company shall be given:

i) to every member of the Company;
ii) to the persons entitled to a share in consequence of the death or insolvency of a member;
iii) to the Auditor or Auditors, for the time being, of the Company; in the manner provided for in Section 172 of the Act.

Accidental omission not to invalidate meeting

c) Accidental omission to give notice to, or the non-receipt of notice by any member or other person to whom it should be given, shall not invalidate the proceedings of the meeting.

Contents of notice

B) Contents of Notice

22. a) Every notice of meeting of the Company shall :

i) specify the place, date and time of the meeting ; and

ii) contain a statement of the business to be transacted thereat.

Matters relating to proxies

b) The form of proxy shall be a two-way-proxy as given in IX Schedule of the Companies Act, 1956, enabling the shareholders to vote for/against any resolution.

Special resolution and notice thereof

c) The Company shall, in the case of a resolution to be moved as a special resolution, duly specify in the notice calling the General Meeting or other intimation given to the members, of the intention to propose the resolution as a special resolution.

d) The Company shall in compliance with Sections 190, 225, 262 and 284 of the Act, give to its members notice of resolution requiring special notice at the same time and in the same manner as it gives notice of the meeting or if that is not practicable, shall give them notice thereof either by advertisement in a newspaper having circulation in the State in which the registered office is situated, not less than 21 days before the meeting.

Resolution requiring Special notice

e) Subject to the provisions of section 225 and 284 of the Act, the receipt of representation, if any, made under Section 225 of the Act by a retiring Auditor or under Section 284 by a Director sought to be removed from office as a Director, must be stated in the notice of meeting given to the members of the Company, if the representations are received in time.

The fact of the receipt of representation made under Sections 225 and 284

C) Documents to the Annexed to the notice

23. a) Where any items of business to be transacted at the meeting are deemed to be special in accordance with the provisions of the Act, a statement, setting out all material facts concerning each such item of business, including in particular the nature and extent of the interest, if any therein of every director, shall be annexed to the notice of the meeting.

Statement under Section 173 (2)

b) Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement mentioned above.

If business consists of the accordance of approval to documents

c) A copy of every balance sheet including the profit and loss account, the auditor's report and every other document required by law to be annexed or attached, as the case may be, to the balance sheet which is to be laid before the Company in General Meeting, shall not less than twenty one days before the date of the meeting, be sent to every member of the Company in accordance with the provisions of Section 219 (1) of the Act.

Copy of balance sheet documents etc.

24. A copy of the representations, if any, made under Section 225 of the Act by a retiring auditor or under Section 284 of the Act by a Director sought to be removed from office, shall be sent to the members of the Company as provided for in Sections 225 and 284 of the Act.

Documents to be sent though not annexed to notice

25. Subject to the provisions of Section 188 of the Act, member's resolution shall be circulated to the members of the Company entitled to receive notice of the Annual General Meeting.

Circulation of members resolution

26. The Company shall, duly keep and maintain all the Registers at the Registered Office in accordance with the provisions of the Act.

Documents, registers to be maintained at the registered office and inspection thereof

Where under any provisions of the act, any person whether a member of the Company or not, is entitled to inspect any register, return, certificates, deed, instrument or document required to be kept or maintained by the Company, the person so entitled to inspection shall be permitted to inspect the same during the hours of 11 A.M. to 1 P.M. on such business days as the Act requires them to be open for inspection.

The Company may, after giving not less than Forty Two days previous notice by advertisement in some newspaper circulating in the district of the office, close the register of members, or the register of debenture-holders as the case may be, for any period or periods not exceeding thirty days at any one time.

D) Representation at Meetings

Representation at Meeting of by a body Corporate

27. a) A body corporate (whether a company within the meaning of the Act or not) may, if it is a member of the Company, by a resolution of its Board of Directors or other governing body, authorise such person at it thinks fit, to act as its representatives at any meeting of the Company or at any meeting of any class of members of the Company.

Right and powers of such representative

b) The person authorised by the resolution as aforesaid, shall be entitled to exercise the same right and powers, including the right to vote by proxy, on behalf of the body corporate, which he represents, as that body could exercise if it were a member.

By Proxies

28. a) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person or persons, whether a member or not, as his proxy, to attend and vote instead of himself and the proxy so appointed shall have no right to speak at the meeting, provided however the instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

Deposit of instrument of proxy and the time for deposit

b) The instrument appointing a proxy and the power of attorney or authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or in the case of a poll, not less than 24 hours before the appointed time for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

Validity of form of proxy

c) An instrument appointing a proxy shall not be questioned if it is in the form of a Two-way proxy as set out in Schedule IX of the Act.

Continuance of the validity of proxy inspite of death etc, of principal, if no notice is given

d) A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal of the revocation of the proxy or of the authority under which the proxy was executed or the transfer of the shares in respect of which the proxy is given.

Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

Members right of inspection of proxies

e) Every member entitled to vote at a meeting of the Company or on any resolution to be moved thereat shall be entitled during the period beginning twenty four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting to inspect the proxies lodged at any time during the business hours of the Company, provided not less than three days' notice in writing of the intention so to inspect is given to the Company.

E) Quorum

29) a) No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to transact business. Five members present in person shall be a quorum.

Quorum needed and the number to form the quorum

b) If within half an hour from the time appointed for holding a meeting of the company a quorum is not present, the meeting if called upon the requisition of members, shall stand dissolved.

Dissolution of meeting

c) In any other case the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the Board may determine.

Adjournment of meeting

d) If, at the adjourned meeting also, quorum is not present within half an hour from the time appointed for holding the meeting, the members present, not being less then two, shall be quorum.

Quorum at adjourned meetings

F) Chairman of Meetings

30. a) The Chairman , if any, of the Board shall preside as Chairman at every General Meeting of the Company.

Chairman of the Board to preside

b) If there is no such Chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as Chairman of the meeting, the Directors present shall elect one of their members to be Chairman of the meeting

When directors to elect Chairman

c) If at any meeting no director is willing to act as Chairman or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their own to be Chairman of the meeting in accordance with the provisions of Section 175 of the Act or any statutory modifications thereof.

When members to elect Chairman

d) i) The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place.

Chairman's power and duty to Adjourn the meeting

ii) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Nature of Business at Adjourned meeting

iii) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

Fresh notice required or 30 days or more

iv) Save as aforesaid, it shall not be necessary to give any notice of any adjournment or of the business to be transacted at adjourned meeting.

Saving clause

e) Any business other than that upon which a poll has been demanded may be proceeded with pending taking of the poll.

Other business to be transacted pending taking of the poll

The date on which Resolution is to have been passed

f) Where a resolution is passed at an adjourned meeting of the company, the resolution shall, for all purposes, be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

How voting right to be exercised

31. a) On a show of hands, every member present in person shall have one vote and on a poll, the voting rights of members shall be as laid down in Section 87 of the Act.

b) Voting rights shall be exercised in accordance with the provisions of Section 42, 87, 88,89, 92,117,178,179, 180,182,183,184, and 185 of the Act or any statutory modifications thereof and Regulation (c) hereunder read with Section 181 of the Act.

Joint-Holder

c) In the case of joint-holders, the vote of the senior who tenders vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

Vote in respect of a member of unsound mind

d) A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy may vote whether on a show of hands or on a poll by his committee, or other legal guardian and any such committee or guardian may, on a poll, vote by proxy.

No voting right if calls or other sums due not paid

e) No member shall be entitled to vote at any general meeting unless, all calls or other sums presently payable by him in respect of shares in the Company have been paid;

Qualification of voter objection when to be raised

f) i) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.

ii) Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive

Matters in which special resolutions are required

31. In giving notice of an intention to propose a resolution as a special resolution the Company shall have regard to the provisions of Sections 17, 21, 25(2), 31, 99, 100, 146, 208, 224A, 237,309, 314, 323, 370, and 484 of the Act or any statutory modifications thereof.

DIRECTORS AND BOARD OF DIRECTORS

Number of Directors

33. a) Unless otherwise determined by the Company in General Meeting, the number of directors elected by the shareholders shall not be less than 3 or more than 12 inclusive of the ex-officio directors, nominee directors, whole-time directors, technical directors, special directors, debenture directors,

alternate directors, additional directors, corporation directors, co-opted directors and finance directors, if any,

b) Only an individual and not a body corporate, association or firm shall be appointed as Director of the Company.

Only individuals to be Directors

c) Subject to the provisions of Section 252, 255 and 259 of the Act, the company may in General Meeting reduce the number of Directors fixed by regulation 33(a).

Right to increase or reduce the number of Directors

d) At the date of adoption of these Articles, the following person are the Directors of the company, namely

Shri B. Ramalinga Raju	Shri B. Rama Raju
Shri D.V.Satyanarayana Raju	Dr. (Mrs.) Mangalam Srinivasan
Shri V.P. Rama Rao	Shri C. Satyanarayana

e) The Board of Directors may appoint one or more among them as Managing Director, Jt. Managing Director, Wholetime Director(s) and fix the remuneration payable to such Managing Director(s) subject to the approval of the Central Government under Section 269 of the Act and Schedule XIII of the Act.

f) The Board of Directors shall have power to appoint additional Directors provided such additional directors shall hold office only upto the date of the next Annual General Meeting of the Company and provided further that the number of directors and additional directors together shall not exceed maximum strength fixed for the Board by the Articles.

Additional directors to be appointed by Board

34. Subject to the provisions of Section 262 of the Act or any statutory modifications, thereof, the Board of Directors shall have power to fill-up casual vacancies.

Filling up of casual vacancy among director

35. Subject to the provisions of Section 313 of the Act or any statutory modifications thereof, the Board of Directors shall have power to appoint a person as Alternate Director during the absence of any Director for a period of not less than three months in the State in which meetings of the Board are ordinarily held.

Alternate Directors to be appointed by Board

36. Notwithstanding anything to the contrary contained in these Articles, so long as monies remain owing by the Company to the Andhra Pradesh State Financial Corporation, (A.P.S.F.C.) Andhra Pradesh Industrial Development Corporation (A.P.I.D.C), Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), and Industrial Credit and Investment Corporation (ICICI) or to any other Financing Company or Body or Bank out of any loans granted by them to the Company or so long as APSFC, APIDC, IDBI, IFCI, ICICI or any other Financial Corporation or Credit Corporation or any Financing Company or Body or Bank (hereinafter in this article referred to as the corporation"), hold shares in the Company as a result of underwriting or Direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation

on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole-time or non-whole time (which director or directors is/are hereinafter referred to as "Nominee Directors") on the Board of the Company and to remove from such office any such person or persons and appoint another or others in his or their places.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). Also at the option of the Corporation, such Nominee Director(s) shall not be liable for retirement by rotation of directors. The nominee director(s) shall have the same rights and privileges and be subjected to the same obligations as any other director of the Company. The Nominee Director(s) so appointed shall hold the said office only so long as monies remain owing by the Company to the corporation or so long as the Corporation holds shares in the Company as result of underwriting or direct subscription or the liability of the company arising out of the guarantee is outstanding and the Nominee Director(s) so appointed in exercise of the said power shall ipso facto vacate such office immediately the monies owing by the company to the corporation is paid off or on the Corporation ceasing to hold shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished by the Corporation. The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the meetings of the committee of which the nominee Director(s) is/are member(s) as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director(s) who are not wholetime directors, sitting fee and expenses which the other Directors of the Company are entitled, but if any other fees, commission, monies and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s) in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director(s).

Provided that if any such Nominee Director(s) is an officer of the Corporation, the sitting fee, in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

In the event of the Nominee Director(s) being appointed as whole-time Directors(s), such Nominee Director(s) shall exercise such powers and have such rights as are usually exercised or available to a wholetime Director in the Management of the affairs of the Company. Such wholetime Director(s) shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the Corporation.

Consent of candidate for directorship to be

37. A person who is not a retiring director shall not be appointed as Director of the Company unless he has by himself or by this agent authorised in writing,

signed and filed with the Registrar his consent in writing to act as such Director. filed with the registrar

38. No Director shall be required to hold any share qualification. Share qualification of Directors

39. The office of a Director shall be vacated in the circumstances stated in Section 274 of the Act. Disqualification of Directors.

40. The Company shall comply with the provisions of Section 297 and 299 of the Act, in entering into contracts with a Director. Contracts with director and disclosure by interested Director

41. Acts done by a person as a director shall be valid notwithstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provisions in the Act or in the Articles, provided that nothing in the Act shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated. Validity of acts of directors

42. Every Director, shall have rights and powers as are provided for in Sections 209, 284, 286, 289 and 320 of the Act. Rights of directors

43. Every Director shall discharge such duties as are provided for in Section 270, 305, 308 and 393 of the Act or any statutory modifications thereof. Duties of directors

44. Directors shall be subject to such civil liabilities provided for in Sections 275, 295, 300, 312, 314, 318, 319 and 320 of the Act or any statutory modifications thereof. Liability of directors

45. Directors shall be subject to the disabilities provided for in Sections 275, 295, 300, 312, 314, 318, 319 and 320 of the Act or any statutory modifications thereof. Disabilities of directors

46. The office of a Director shall be vacated:

i) On the happening of any of the conditions provided for in Section 283 of the Act or any statutory modifications thereof.

ii) On the contravention of the provisions of Section 314 of the Act or any statutory modifications thereof.

iii) If a person is a Director of more than twenty companies at a time.

iv) If he is disqualified under Section 274 of the Act or any statutory modifications thereof.

v) In the case of alternate directors, on return of the original director, to the state, under the provisions of Section 313 of the Act or any statutory modifications thereof.

vi) On resignation of his office by notice in writing.

Directors as manager or secretary

47. Subject to the provisions of the Act, a Director may be appointed as Manager or Secretary of the Company.

Rotation of directors

48. a) At every Annual General Meeting one third of such of the Directors for the time being are liable to retire by rotation or if their number is not three or multiple of three, then the number nearest to one third, shall retire from office.

b) The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who became Directors on the same day, those who are to retire shall, in default of and subject to any agreement amongst themselves, be determined by lot.

c) At the Annual General Meeting at which a Director retires as aforesaid, the company may fill-up the vacancy by appointing the retiring director or some other person thereto.

d) If the place of the retiring Director is not filled-up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day, in the next week at the same time and place or if that day is a public holiday, till next succeeding day which is not a public holiday at the same time and place.

e) If at the adjourned meeting also the place of the retiring director is not filled-up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting unless:

i) at the meeting or at the previous meeting a resolution for the appointment of such director has been put to the meeting and lost :

ii) the retiring director has by a notice in writing addressed to the Company or its Board of Directors expressed his unwillingness to be so recommended.

f) A resolution, whether special or ordinary, is required for his appointment by virtue of any provisions of the Act.

PROCEEDINGS OF THE BOARD

Board when to meet

49. a) The Board of Directors may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit, provided however the Board shall meet once in every three months in accordance with section 285 of the Act or any statutory modifications thereof.

*aa) The company shall have the power to hold Board or Committee Meetings through the means of video or tele-conferencing, and also allow Directors to participate in the Board or Committee Meetings through the means of video or tele-conferencing, subject to the applicable provisions, if any, of the Act and other regulatory provisions, if any, and all relevant articles dealing with Board or Committee meetings shall be read *mutatis mutandis*.

Who can summon a meeting

b) The Chairman or the Managing Director(s) may at any time, and shall, on the requisition of two Directors, summon a meeting of the Board.

**Inserted vide Special Resolution passed at 15th Annual General Meeting held on 1st July, 2002)*

c) The Board shall cause notice to be circulated to every Director of the Company who is for the time being in India in accordance with Section 286 of the Act or any statutory modifications thereof.

Notice of meeting to be sent to every director

d) The quorum for meetings of the Board shall be two Directors or one third of its total strength whichever is greater as provided for in Section 287 of the Act.

Quorum for the meeting of the Board

e) The Continuing Director may act notwithstanding any vacancy in its body but if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing Director or Directors may act for the purpose of increasing the number of Directors to that fixed for the quorum or for summoning a General Meeting of the Company, but for no other purpose.

Procedure to be adopted if there is no Quorum

f) The questions arising at any meeting shall be decided by a majority of votes

Questions at Board meeting how decided

g) Save as otherwise expressly provided by the Act, a resolution in writing signed by all the members of the board or of a committee thereof for the time being entitled to receive notice of a meeting of the Board or Committee, shall be as valid and effective as if it had been passed at a meeting of the Board or Committee duly convened and held.

h) All acts done at any meetings of the Board or by any Person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of Directors or persons acting as aforesaid or that they or he or any of them were or was disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

Act of Board notwithstanding defective appointment

i) The Company shall cause to be kept minutes of all proceedings at meeting of its Board of Directors or of Committee of the Board. The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat. All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meetings. The Minutes shall also contain;

i) the names of the Directors present at the meeting ; and

ii) in the copy of each resolution passed at the meeting, the names of Directors, if any, dissenting therefrom or not concurring in the resolution.

iii) the Director shall cause to be kept a Register of Directors in accordance with the provisions of Section 303 of the Act. The Register aforesaid shall be open to inspection by any member of the public at any time during office hours on Payment of the prescribed fee. The Company shall also keep a Register of Directors' shareholding giving the particulars required by Section 307 of the Act, and otherwise conforming to the provisions of the section.

GENERAL POWER OF THE BOARD OF DIRECTORS

50. a) The Board Directors shall be entitled to exercise all such powers and to do all such acts and things as the company is authorised to exercise and do. Provided that the Board shall not exercise any power or do any act or thing,

General powers and limitation thereon

which is directed or required by the Act or any other provision of law or by the Memorandum of Association of the Company or by these Articles, to be exercised or done by the Company in General Meeting.

Provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions contained in that behalf in the Act or any other provision of law or the Memorandum of Association of the Company or these articles or in any regulation not inconsistent therewith and duly made thereunder, including regulation made by the company in General meeting.

Provision against invalidation of prior acts of the board

b) No regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

SPECIFIC POWERS OF THE BOARD

To carry out the objects and exercise such powers as given in clause of the Memorandum

51. Without prejudice to the general powers, the Board shall have the following specific powers :

a) To carry out the objects and exercise the powers contained in clause III of the Memorandum of Association of the Company.

To have superintendence control and direction over Managing Director etc.

b) To have the superintendence, control and direction over Managing Directors(s), Managers, wholetime Directors and all other officers of the Company.

To delegate the powers

c) To delegate, subject to the provisions of the Act, any or all of the powers hereby conferred upon them, to the Managing Director(s) or such person or persons as they may from time to time think fit and the Managing Directors(s) or such person or persons shall have power to sub-delegate such powers at their discretion.

i) Power to borrow money otherwise than on debentures.

ii) The power to invest the funds of the Company

iii) The power to make loans.

Provided however that every resolution delegating the power in clause (i) shall specify the total amount upto which moneys may be borrowed by the delegate; every resolution delegating the power referred to in clause (iii) shall specify the total amount upto which loans may be made, and the maximum amount of loans which may be made for each such purpose in individual cases ;

To provide for local Management

d) To provide for the management of the affairs of the Company in any specified locality in or outside India and to delegate to persons incharge of the local management such powers (not exceeding those which are delegatable by the directors under these regulations)

Satyam

e) To appoint, at any time and from time to time, by a power of attorney under seal, any person to be the attorney of the Company for such purposes and with such powers and discretions (not exceeding those which are delegated by the Directors under these presents) and for such period and subject to such conditions as the Board may form time to time think fit, with powers for such attorneys, to sub-delegate all or any of the powers, authorities and discretion (not exceeding those which are delegatable by the Directors under these presents) and for such period and subject to such conditions as the board may from time to time think fit.

To appoint power of attorney

f) To acquire by lease, mortgage, purchase or exchange or otherwise any property, rights or privileges which the Company is authorised to acquire, at any such price generally on such terms and conditions as the board may think fit and to sell, let, exchange or otherwise dispose of absolutely or conditionally, any property, rights or privileges and undertaking of the Company upon such terms and conditions and for such considerations as they think fit, subject, however, to the restrictions imposed on the Board by Section 293 of the Act or any statutory modifications thereof.

To acquire and dispose of property rights restrictions thereof

g) To open any account or accounts with such Bank or Banks as the Board may elect or appoint, to operate on such accounts, to make, sign, draw, accept, endorse or otherwise execute all cheques, promissory notes, drafts, hundies, orders, bills of exchange, bills of lading and other negotiable instruments, to make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company to make contracts and to execute deeds.

To open accounts, make contracts, execute cheques, hundies bills promissory notes etc.

h) To appoint officer(s), clerks and servants for permanent, temporary or special service as the Board may from time to time think fit and to determine their powers and duties and to fix their salaries and emoluments and to require security in such instances and to such amount as the Board may think fit and to remove or suspend any such officers, clerks and servants.

To appoint officers

i) To sanction, pay and reimburse to the officers of the Company, in respect of any expenses incurred by them on behalf of the Company

To reimburse officers in respect of expenses

j) To invest and deal with any of the moneys of the Company, to vary or release such investments, subject to the provisions of Sections 42, 49, 77, 292, 293 and 295 read with Section 370, 372 and 373 of the Act or any statutory modifications thereof.

k) To refer claims or demands by or against the company to arbitration in accordance with the provisions of Section 389 of the Act or any statutory modifications thereof and observe and perform any awards made thereon.

To refer to arbitration

l) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debt due and of claims or demands by or against the Company and to appoint Solicitors, Advocate, Counsel and other legal

To act in matters of legal proceedings

advisers for such purposes or for any other purposes and settle and pay their remunerations.

To acts in matters of insolvency

m) To act on behalf of the Company in all matters of insolvency in which the Company is interested.

To pay gratuity pension etc.

n) To pay and give gratuities, pensions and allowance to any person including any director, to his widow, children or dependants, that may appear to the Directors just or proper whether any such person, widow, children or other dependants have or not a legal claim upon the Company and whether such person is still in the service of the Company or has retired from his service, or to make contributions to any funds and pay premium for the purchase of or make provisions for any such gratuity, pension or allowance.

To support or subscribe for charitable objects etc.

o) To establish, maintain, support and subscribe to any charitable or public object or any society, institution, or club which may be for the benefit of the Company or its employees.

To set aside profits to form a fund

p) To set aside portions of the profits of the company to form a fund or funds before recommending any dividends for the objects mentioned above.

To make and alter rules etc.

q) To make and alter rules and regulations concerning the manner of payment of the contributions of the employees and the Company respectively to any such fund and employment, suspension and forfeiture of the benefits of the said fund and the application and disposal thereof and otherwise in relation to the working and management of the said fund as the Directors shall from time to time think fit.

To provide for seal for use aboard

r) To exercise the powers conferred by Section 50 of the Act with regard to having an official seal for use abroad.

To keep foreign registers

s) To exercise the powers conferred on the Company by Sections 157 and 158 of the Act with regard to the keeping of foreign registers.

To authorise any person to sell or purchase any goods etc.

t) To authorise any person to sell any goods or articles manufactured or produced by the Company or to purchase, obtain or acquire machinery, stores, goods or Materials for the purpose of the Company, or to sell the same when no longer required for those purposes.

To exercise powers referred to in other regulations

u) To exercise other powers referred to under these regulations not specifically mentioned in this regulation but referred to in other regulations in these Articles.

To determine by resolution the name of person to do acts on behalf of the Company

v) To delegate any or all of the powers hereby conferred upon them to such person or persons as they may from time to time think fit.

w) To reopen the accounts in consultation with the Company's Auditors for correcting apparent or interpretation mistakes by calling for an Extraordinary General Meeting.

x) To recommend for distribution of realised surplus arising out of revaluation of Fixed Assets.

y) To apply for a Telephone, Telex and Grams for the Company.

52. Subject to the provisions of Sections 316, 372 and 386 of the Act which require unanimous resolution of the Board of Directors, other questions arising at any meeting of the Board Shall be decided by majority of votes.

Questions to be decided by majority of votes except under three Sections requiring Unanimous resolution

53. No resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or to all the members of committee then in India (not being less in number than the quorum fixed for a meeting of the Board or committee as the case may be) and to all other Directors or members, at their usual address in India and has been approved by such of the Directors or members, or by a majority of such of them as are entitled to vote on the resolution.

Passing of resolution by circulation

RESTRICTIONS ON THE POWERS OF BOARD

54. a) The Board shall not exercise the powers referred to in section 293 of the Act without the consent of the Company in general meeting and only to the extent mentioned therein or any statutory modifications thereof.

Disposal of the undertaking of the company etc, referred to in Sec.293

b) In the appointment of sole selling agents for the Company for any area, the Board shall conform to the provisions of Sections 294 and 294A of the Act or any Statutory Modifications thereof, and the Companies (Appointment of Sole Selling Agents) Rules, 1975.

Restrictions on powers of board in the appointment of selling agents

c) In giving loans to Directors and other persons mentioned in Section 295 (1) of the Act, the Board shall conform to the provisions of that section or any statutory modifications thereof.

Restrictions on the board in giving loans etc.

MANAGEMENT

55. The Managing Director(s) shall be responsible for carrying on and conducting the business of the Company subject to the supervision, direction and control of the Board of Directors. In the conduct and management of the said business, the Managing Director(s) may exercise such powers, authorities and discretions, as may, from time to time, be vested in them under an agreement or delegated to them by the Board of Directors.

Powers of management vested in the managing Director

SECRETARY

56. The Company shall, subject to the provisions of the Act, appoint a Secretary.

Secretary

57. The Managing Director(s) of the Company may, subject to the provisions of sections 198, 310 and 311 of the Act, receive remuneration either by way of monthly payment or by way of specified percentage not exceeding 5% of the net profit of the Company calculated in the manner laid down in Sections

Remuneration of Managing Director(s) payable either by monthly payment or percentage of profits or both

349 and 350 of the Act or partly by the one way and partly by the other.

Board Meeting fee of Directors & Chairman

58.* The Directors shall from time to time decide their own remuneration for the attendance of the Board Meeting. But in no case it shall exceed the maximum amount specified by the provisions of Section 310 of the Act, for every meeting of the Board of Directors attended by them.

Sub-Committee meeting fee

59.* The Directors may fix a fee to be paid to any Director for attending a meeting of the Sub-Committee but it shall in no case exceed the maximum amount specified by the provisions of Section 310 of the Act.

Travelling & Daily Allowance of Directors

60. The Directors may be paid all travelling, hotel and other expenses properly incurred by them (a) in attending and returning from meetings of the Board of Directors or any Committee thereof or General Meetings of the Company, or (b) in connection with the Company's business.

Remuneration of Directors for extra service

61. If any Director being willing, shall be called upon to perform extra service or to make any special exertions or in negotiating or carrying into effect any contract or arrangement by the Company, otherwise for any purpose of the Company or act as trustee for the Company or its debenture holders, and shall do so, the Company may remunerate such Director either by a fixed sum and/or percentage of profits or otherwise, as may be permissible under the Act.

AUDIT

Appointment of Auditors and Regulation of their duties

62. Auditor(s) shall be appointed and their duties regulated in accordance with Sections 224 to 235 of the Act, both inclusive, or any statutory modifications thereof.

SEAL

Seal of the company

63. The Directors shall provide a common seal for the purposes of the Company and shall have power from time to time, to destroy the same and substitute a new seal in lieu thereof.

64. The Directors shall provide for the safe custody of the seal. The seal of the company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a Committee of the Directors, and any one Director and Secretary or any other person authorised by Board/Committee shall sign every instrument to which the seal of the company is affixed.

DIVIDENDS AND RESERVE

Declaration of Dividends

65. The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

Payment of interim Dividends

66. The Board may, from time to time, pay to the members such interim dividends as appear to it to be justified by the profits of the Company.

** Amended vide the Special resolution passed at the 8th Annual General Meeting held on 28th September, 1995.*

67. a) The Company shall transfer to a reserve such percentage of profits for the year as prescribed under Companies (Transfer of profits to Reserve) Rules, 1975 as amended from time to time.

Reserve

b) The Board may also carry forward any profits which it may think prudent not to divide.

Power to carry forward Profits

c) Subject to the rights of the persons, if any, entitled to share with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of shares.

Dividends only from profits

d) No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the shares.

Amount paid in Advance of calls

e) All Dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

Distribution of Dividends

68. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

Deduction from Dividends

69. a) Any General Meeting declaring a dividend or bonus may direct payment of such dividend or bonus and Board shall give effect to the resolution of the meeting subject to the provisions of the Act.

Mode of Payment of Dividend or Bonus

b) Where any difficulty arises in regard to such distribution, the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustee as may seem expedient to the Board.

Power of the Board to Distribute Dividends

c) Any dividend interest or other moneys payable in cash in respect of shares may be paid by cheques or warrant sent through the post directed to the registered address of the holder or, in the case of joint-holders, to the registered address of that one of the joint-holders who is first named on the register of members, or to such person and to such address as the holder or joint-holders may in writing direct.

Payment by warrant

Warrant payable to whom

d) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

Receipts for dividends etc. in case of joint holders

e) Any one of the two or more joint-holders of a share may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such share.

Notice of Dividends

f) Notice of any dividend that may have been declared shall be given to the persons entitled to share therein, in the manner mentioned in the Act.

No interest on Dividends

g) No dividend shall bear interest against the Company.

Dividend and call together Set-off allowed

70. Any Annual General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixed, but so that the call on each member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend, and the dividend, if so arranged between the company and the member, be set-off against the call. The making of a call under this clause shall be deemed ordinary business of an Annual General Meeting which declares a dividend.

Dividend to be paid to Members only

71. No dividend should be paid in respect of any share except to the members registered in respect of such share or to his order. A transfer of share shall not pass the right to any dividend declared thereon before the registration of the transfer by the Company.

Unpaid or unclaimed Dividends

72. The Board shall transfer the unpaid dividends in accordance with the provisions of the Act and also as contained in Companies Unpaid Dividends (Transfer to General Revenues of Central Government) Rules, 1978 as amended from time to time. No unclaimed dividend shall be forfeited by the Board of Directors of the Company unless it becomes barred by law.

The Company shall comply with all provisions of Section 205 (2A) of the Act.

CAPITALISATION OF PROFITS

73. a) The Company in General Meeting may upon the recommendation of the Board, resolve :

i) that it is desirable to captalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the Profit and loss account or otherwise available for distribution; and

ii) that such sum be accordingly set free for distribution in the manner specified in clauses (b) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

Mode of payment

b) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (c) either in or towards:

i) paying up any amounts for the time being unpaid on any shares held by such members respectively;

ii) paying up in full, unissued shares of the Company to be allotted and distributed, credited as, fully paid up, to and amongst such members in the proportions aforesaid, or

iii) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).

c) A share premium account and a capital redemption reserve account may, for the purpose of this regulation, only be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares

Application of share premium accounts and Capital Redemption Reserve fund

d) The Board shall give effect to the resolution passed by the company in pursuance of this regulation.

Board to give effect to the Resolutions

74. a) Whenever such a resolution as aforesaid shall have been passed, the Board shall :

Appropriation & application of undivided profits

i) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and make allotments and issue fully paid shares, if any and

ii) generally do all such acts and things required to give effect to such a resolution.

b) The Board shall have full power :

Board's power in cases of Fractional Distribution of shares or debentures

i) to make such provision by the issue of fractional Certificates or by payment in cash or otherwise as it thinks fit, in the case of shares becoming distributable in fractions ; and

ii) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such captalisation or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares.

c) Any agreement made under such authority shall be effective and binding on all such members.

Effect of Agreement

ACCOUNTS

75. The Company shall comply with the provisions of sections 209 to 221 of the Act with regard to the keeping of accounts, preparation of Balance Sheet and Profit and Loss Accounts.

Keeping of accounts and preparation of Balance Sheets etc.

Inspection by Members

76. a) The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and books of the company or any of them shall be open to the inspection of members not being Directors.

b) No member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the regulation or authorised by the Board or by the Company in General Meeting.

Accounts when conclusive

77. Subject to Article 51 (w), the accounts prepared by the Directors, when audited and approved by an Annual General Meeting, shall be conclusive.

WINDING UP

Distribution of Assets

78. If the Company shall be wound up, and the assets available for distribution among the members as such, shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up, at the commencement of winding up on the shares held by them respectively. And if in a winding up the assets, available for distribution among the members, shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up, paid up or which ought but for this clause is to be have been paid up on the shares held by them respectively, without prejudice to the rights of the holders issued upon special terms and conditions.

Distribution of assets in specie

79. If the company shall be wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of a special resolution, divide among the contributories, in specie or kind, any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them, as the Liquidators, with the like sanction, shall think fit, but that no member shall be compelled to accept any shares or other securities whereon there is any liability.

SECRECY

Declaration to observe Secrecy

80. Every Director, Secretary, Manager, Auditor, Trustee, Member or Committee Officer, Servant, Agent, Accountant or other person employed in the business of the Company shall before entering upon the duties sign a declaration pledging himself to observe strict secrecy respecting all transactions of the Company with consumers and the state of accounts with individuals and in all matters, relating thereto and shall by such declaration pledge himself not to reveal any of the matters which may have come to his knowledge in the discharge of his duties except when required to do so by the Directors or by any meeting of the shareholders by a Court of Law by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions of these Articles.

81. Any Director or officer of the Company shall be entitled, if he thinks fit, to decline to answer any question concerning the business of the Company which may be put to him on any occasion including any meeting of the company on the ground that the answer to such question would disclose or tend to disclose the trade secret of the Company.

Right to decline to answer question concerning Business

82. Any officer or employee of the company proved to the satisfaction of the Board of Directors to have been guilty of disclosing the secrets of the Company shall be liable to instant dismissal without notice and payment of damages.

Dismissal without Notice in case secrets Disclosed

INDEMNITY

83. a) Every Director of the Company, Manager, Secretary and other officer or employee of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors to pay out of the funds of the Company costs, losses and expenses (iIncluding travelling expenses) which any such Director, Officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by such Director, Officer or employees in any way in the discharge of his duties.

b) Subject to as aforesaid every Director, Manager, Secretary or other officer of the Company shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 633 of this act in which relief is given to him by the Court.

84. No Director, Auditor or other Officer of the Company shall be liable for the Acts, receipts or defaults of any other Director or officer, for joining in any receipts or other act for conformity, or for any loss or expense happening to the Company through the insufficiency, or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company, or for the sufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any person with whom any moneys, securities or effects shall be deposited or for any loss occasioned by any error of judgement, omission, default or oversight on his part or for any other loss, damage or misfortune whatever which shall happen in relation to the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty.

S.No.	Names, addresses, description and occupation of the subscribers with their signatures	Signature of Witness with name, address, description and occupation
1.	B.RAMALINGA RAJU S/o B. Satyanarayana Raju Plot 17, P & T Colony, Secunderabad-500 003. Company Director	Sd/- (K. SRIVAS) S/o Late K. Gopalan Chartered Accountant No.42, 1st Floor, 2nd Main Road Shanti Nagar, Hyderabad-500 028.
2.	D. VENKATA SATYANARAYANA RAJU S/o G.Gopala Raju 95, B.H.E.L. Enclave Akbar Road, Secunderabad. Consultant	

Dated this 15th day of June 1987 at Hyderabad.

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