



“The Phoenix ...  
can wing her way through  
the desert skies,  
and still defying fortune's spite;  
revive from ashes and rise.”

Miguel de Cervantes Saavedra  
(1547-1616)



## The legend of the Phoenix

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The Phoe-nix (pronounced as fee-niks) is a mythical sacred firebird that can be found in the mythologies of the Persians, Greeks, Romans, Egyptians, Chinese, and Phoenicians.

It is a fire spirit with a colorful plumage and a remarkable 500 to 1000 year life-cycle. At the end of each cycle, it builds for itself a nest of twigs that then ignites; both nest and bird burn fiercely and are reduced to ashes, from which a new, young phoenix or phoenix egg arises, reborn anew to live again.

The Phoenix's ability to be reborn from its own ashes implies that it is immortal, though in some stories the new Phoenix is depicted as the offspring of the older one.

## Board of Directors

**Vineet Nayyar***Chairman***C. P. Gurnani***Whole-time Director & CEO***C. Achuthan***Government Nominee***T. N. Manoharan***Government Nominee***M. Damodaran****Gautam S. Kaji** (upto October 25, 2010)**Ulhas N. Yargop****S. Durgashankar***Chief Financial Officer***G. Jayaraman***Company Secretary*

### Auditors

**Deloitte Haskins & Sells**

Chartered Accountants  
1-8-384 & 385, 3rd Floor  
Gowra Grand, S. P. Road  
Secunderabad – 500 003, INDIA

### Bankers

Bank of Baroda  
HDFC Bank Limited  
ICICI Bank Limited  
IDBI Bank Limited  
BNP Paribas  
Citibank N.A.  
HSBC Limited

### Registered Office :

Unit - 12, Plot No. 35/36, Hitech City Layout,  
Survey No. 64, Madhapur, Hyderabad - 500 081

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## Chairman's Communique'

Dear Investor,

It's with mixed feelings that I place before you the much awaited financials for the Fiscals 2009 and 2010.

January 7<sup>th</sup> 2009 saw the beginning of a long and tortuous nightmare for Satyam and its Associates. The erstwhile promoters confessed to financial irregularities leading to a series of grave felonies including financial and securities fraud of massive proportions. With this, commenced a long winter of discontent for the stakeholders and a veritable nightmare for its Associates.

However, what will override this event and forever remain etched in our memory is the unassailable spirit, resilience and patience displayed by each one of the – Investors, Customers and Associates alike – which helped to steer the Company back into a safe harbour and unquestionably established that the Company will not only survive the maelstrom but also once again flourish.

This incident of the shocking revelations necessitated a reassessment of your Company and its fundamentals. Numerous agencies and hundreds of person years of effort had to be deployed to unravel the reality that was.

### A new chapter

The Government of India's speed and decisive nature of actions in the aftermath of these unprecedented events – which have been so well documented and widely acclaimed globally - helped to stabilize the Company's operations during those crucial and demanding 100-day period. At the same time, the Government nominated Board swiftly identified a strategic investor for the Company, which helped to infuse the much needed funds and most importantly, restore confidence of imminent revival, amongst your Company's stakeholders. But for this Board's incredibly positive intervention and adroit management, Satyam may not have survived.

In April 2009, Venturbay Consultants Private Limited (Venturbay), a 100% subsidiary of Tech Mahindra, emerged as the successful bidder in the acquisition of Satyam. This resulted in your Company becoming a part of the well respected Mahindra Group, leading to the reconstitution of the Board.

I would over here wish to highlight a few important milestones, which ensued:

- Tech Mahindra, through Venturbay acquired about 43% stake in Mahindra Satyam resulting in an equity infusion of about US\$582 million.
- The Company Law Board (CLB) permitted Mahindra Satyam in June 2010 to publish its financial results for 2008-09 and 2009-10 by September 30, 2010. We have just concluded

this massive exercise.

- The Company unveiled its new brand identity – “Mahindra Satyam” in May 2009 – and this brand symbolizes the core values that the Mahindra Group stands for and the proven technology & consulting strengths that Satyam has traditionally been known for.

As you may be aware, the Mahindra Group has always been known for its value system, which uncompromisingly applies to all the Group Companies:

- Be responsive to customers
- Zero tolerance on unacceptable standards for ethics and governance
- Uphold the dignity of all associates
- Provide an environment that values professionals
- Make quality our mantra in all aspects of work

### Envisioning tomorrow

The IT services market is projected to continue to grow at a higher rate than in the last year. This outlook, combined with the propensity of customers to reduce cost and complexity by optimizing the number of vendors / partners, is a clear sign of increasing opportunities. Customers want solutions that drive their business forward, rather than just a piece of technology that fixes immediate problem. They seek partners who (a) understand the intrinsic nature of their business



(b) equip them with the capability to provide superior services to their end customers and (c) reduce their 'Time to Market'.

As the Western economies strengthen, businesses are beginning to invest again in critical technology solutions and decision support systems. Clearly, there is a greater emphasis in their business models to evaluate a quantifiable return on every dollar invested.

In the coming years, the IT Services Sector is likely to morph while it continues to build momentum. Platform based solutions and outcome based pricing will replace linear pricing models, as partners get to work even closely for their core processes.

It is our avowed intent to be a trusted partner to all our customers and we have set ourselves a vision to be the "World's most valued ICT Company". Value, to us, denotes the intrinsic goodwill and respect that we earn from our various stakeholders – Customers, Associates, Investors and the Community.

ICT - Information, Communication and Technology denotes a combination of IT, Communication, Engineering and BPO services, that we are uniquely positioned to provide, given our internal strengths and capabilities in these areas, and those of the larger Tech Mahindra and M&M Organizations.

Tech Mahindra has demonstrated its strengths in managing large corporate networks as well infrastructure remotely. And from an end-customer perspective, mobility solutions for a range of industries have been tested and applied.

Mahindra Satyam's engineering services capabilities have got a tremendous boost, thanks to the larger Mahindra Group and together we can provide a range of services in this space, which makes us a unique player that can work for the entire spectrum of 'Art-to-Part' i.e. from design to component manufacture.

Not many IT services companies worldwide today have the enterprise solutions capability, niche capabilities in consulting, proven leadership in communications & connectivity and the full spectrum engineering services that we have. It therefore places your Company in a unique position in relation to its competition.

### **The next steps**

Transforming Mahindra Satyam and capturing its full potential is a multi-year process. This is a complex process, which will need to be managed by grit determination and patience.

Our first priority is to restore the confidence and **rebuild** relationship with all our customers, especially those with whom we have had healthy and established relations in the past. A corporate initiative headed by one of the senior most leaders has already been initiated.

A company like ours has to refresh and renew itself technologically on a continuous basis. There are multiple options for specialization and choices have to be made carefully. A 'Competency Investment Council', comprising of our senior operational leaders has been formed to make these choices and adequate funds have been budgeted for this purpose.

**Strengthening** our internal controls and reporting systems has acquired its own piquancy and urgency in the current context. We would wish to ensure that financial irregularities and frauds of the nature which the Company has gone through, can never happen again. Measures have been initiated for making the financial systems robust, tamper proof and transparent. As a first step, Tech Mahindra's financial system is being replicated, with a clearly laid out roadmap to integrate our management information systems with 'Project Harmony', Group wide initiative.

Last but not the least, and probably the most critical of our priorities is to protect and retain all that was good at the workplace and build on the foundation of meritocracy that had been inculcated over the years. Our precious in-house talent that delivered during the worst of adversities is the most valued asset and all efforts are being made to reward, recognize and retain them. Of all our initiatives, this is likely to be the longest and most challenging but undoubtedly the most rewarding.

### **In conclusion**

Many individuals and companies gave us up for dead. Some were quick to write us off. Sure enough, we faced our moments of anguish, anxiety and helplessness.

But no one can deny the fact that we rose from the ashes, ensured that services delivery remained undisturbed and this gave us the much needed springboard for drawing up ambitious growth plans. The flawless delivery of technology services for FIFA is a shining example of the spirit of every Mahindra Satyam Associate.

There are many battles yet to be waged and won – legal, operational and others - apart from the process of integration of the two companies that is set to start shortly.

The confidence that you had placed with us all along is what fueled our drive and we seek your continued trust as we set out to make Mahindra Satyam a brand to reckon with in the global marketplace.

We look to the future with confidence. You should do no less.

Place : Hyderabad

Date : September 29, 2010

  
**Vineet Nayyar**



## Profile of Directors



### Mr. VINEET NAYYAR

Mr. Vineet Nayyar is the Chairman of Satyam Computer Services Limited and the Vice Chairman & Managing Director of Tech Mahindra Limited.

An accomplished leader, he has lead several organizations across industries, creating high performance teams and successful businesses. In a career spanning over 40 years, he has worked with the Government of India, International multilateral agencies and corporate sector (both public and private). He started his career with the Indian Administrative Service. While in the Government of India, he held a series of senior positions, including that of a District Magistrate, Secretary - Agriculture and Rural Development for the Government of Haryana and Director, Department of Economic Affairs, Government of India. He has worked with the World Bank for over 10 years in a series of senior assignments, including successively being the chief for the energy, infrastructure and the finance divisions for East Asia and Pacific. In the corporate sector, he was the founding Chairman and Managing Director of the state owned Gas Authority of India. In the private sector, he has served as the Managing Director of HCL Corporation and the Vice Chairman of HCL Technologies. He was also the founder and CEO of HCL Perot Systems.

He holds a Masters' degree in Development Economics from Williams College, Massachusetts.



### Mr. C.P. GURNANI

Mr. C.P.Gurnani ('CP') is the Whole-time director & CEO of Satyam Computer Services Limited. Prior to moving to Mahindra Satyam, CP headed Tech Mahindra's Global Operations, Sales and Marketing functions and led the development of Tech Mahindra's Competency & Solution units.

CP has extensive experience in building international business, start-ups, turn arounds, joint ventures and mergers & acquisitions. In a career spanning over 28 years, he has held several leading positions with HCL Hewlett Packard Limited, Perot Systems (India) Limited and HCL Corporation Ltd.

CP takes keen interest in community work and was nominated by Ernst & Young for the Entrepreneur of the Year Award in 2007.

CP received a chemical engineering degree from the National Institute of Technology, Rourkela.



### Mr. C. ACHUTHAN

Mr. C. Achuthan was appointed on the Board of Satyam Computer Services Limited on January 11, 2009 by the Government of India in accordance with the Company Law Board's Order dated January 09, 2009. Previously, Mr. Achuthan was the Chairman of the Securities Appellate Tribunal. Earlier, he had served as a member of the Securities and Exchange Board of India (SEBI). Mr. Achuthan is a member of Law Commission of India, Advisory Board of BNP Paribas Group, India and a trustee of ING Mutual Fund.

Mr. Achuthan holds a master's degree in economics from Kerala University and a degree in law from Bombay University.

**Mr. T. N. MANOHARAN**

Mr. T.N. Manoharan was nominated by the Government to the Board of Satyam Computer Services Limited, he was part of the revival team and made contribution in resurrecting the Company within a short span of time. During his association with the ICAI, he was actively involved in many initiatives such as preparation of the road map for transition of the Government accounting system; Convergence with IFRS in India; accounting reforms with reference to Local Bodies; making reforms in the CA education system and pioneered proactive amendments to the Chartered Accountants Act, 1949.

Mr. Manoharan was Chairman of ICAI of Accounting Research Foundation. He served as the President of ICAI during the year 2006-07. He was in the Board of the Insurance Regulatory and Development Authority (IRDA) and in the Committees constituted by RBI, SEBI, C&AG and CBDT during 2006-07. He was a member of the International Accounting Education Standards Board of IFAC during 2006 and 2007 formulating global education standards for accounting professionals. Mr. Manoharan is presently Chairman of the National Committee on Accounting Standards of the Confederation of Indian Industry. He is member of the Appellate Authority constituted by the Government of India with reference to the disciplinary mechanism of the Chartered Accountancy profession in India. Mr. Manoharan is a member of the working group constituted by International Accounting Standards Board (ISAB) for making recommendations on "IFRS for SMEs". Mr. Manoharan has authored books for professionals and students and has addressed Professional forums in India and Abroad. Mr. Manoharan has been conferred the "Life Time Achievement" award in 2005 and "For the Sake of Honour" award in 2007 by the Rotary International and the "Super Achiever" award in 2006 by the Lions International. He visited Australia on invitation by the University of Queensland, as "Dean's Distinguished Visitor" to facilitate research on Business Sustainability and Corporate Governance during September 2009. He received the "Business Leadership Award" from NDTV Profit in 2009 and in the Business category, the CNN IBN "Indian of the Year 2009" award as part of the Satyam revival team. He is recipient of "Padma Shri" award from the President of India in April 2010.

**Mr. M. DAMODARAN**

Mr. M Damodaran, IAS (Retired), is currently practicing as an independent consultant in diverse areas of management. He has over 30 years of experience in financial services and public sector enterprises and has served as the former Chairman of the Securities and Exchange Board of India (SEBI), Chairman and Managing Director of Industrial Development Bank of India (IDBI) and as Chairman of the Unit Trust of India (UTI). He has also held various positions in the Ministry of Finance, the Ministry of Information & Broadcasting and the Ministry of Commerce.

**Mr. ULHAS N. YARGOP**

Mr. Ulhas N Yargop, is the President, IT Sector, Group CTO and Member, Group Executive Board of Mahindra & Mahindra Limited. Mr. Yargop joined Mahindra & Mahindra Limited in 1992 and has worked as General Manager - Corporate Planning, General Manager - Product Planning, General Manager, Mahindra-Ford Project, and as Treasurer of Mahindra & Mahindra Limited. He was appointed as President, IT Sector in 1999. The IT Sector includes Mahindra Satyam, Tech Mahindra and Bristlecone. Mr. Yargop is also responsible for Mahindra SIRF, the corporate venture capital activity of the Mahindra Group. He previously worked with GKN Automotive Inc., USA as Director of Finance and later with GKN Invel Transmissions Limited, New Delhi as General Manager - Commercial. He also worked with The Standard Batteries Limited, Mumbai as Vice President - Industrial.

Mr. Yargop has a Bachelor of Technology degree in Mechanical Engineering from the Indian Institute of Technology, Madras and a Master in Business Administration degree from the Harvard Business School. Mr. Yargop serves as a member of the board of governors of Mahindra United World College of India. He is a trustee of K. C. Mahindra Education Trust and Mahindra Foundation. He is also a member of the managing committee of Harvard Business School's India Research Center.





## Details of Directorships and Committee memberships in other Companies

Sl. No	Name of the Director	Directorships	Committee memberships
1	Mr. Vineet Nayyar	1. Tech Mahindra Limited	Investor Grievance-cum-Share Transfer Committee - Member
		2. The Great Eastern Shipping Company Limited	
		3. Mahindra Holidays and Resorts India Limited	Remuneration Committee - Member
		4. Mahindra Logisoft Business Solution Limited	
		5. Tech Mahindra (Americas) Inc.	
		6. Maurya Education Company Private limited	
		7. Kotak Mahindra Old Mutual Life Insurance Limited	
		8. Vidya Investment Private Limited	
		9. Vidya Education Investments Private Limited	
		10. Tech Mahindra (Beijing) IT Services Limited	
		11. Venturbay Consultants Private Limited	
		12. Tech Mahindra GmbH	
		13. Tech Mahindra (Thailand) Limited	
		14. CanvasM Technologies Limited	
		15. Greatship (India) Limited	
2	Mr. C P Gurnani	1. CanvasM Technologies Limited	1. Remuneration Committee - Member 2. Investment Committee - Member 3. Executive Committee - Member
		2. CanvasM (Americas) Inc.	
		3. Tech Mahindra (Thailand) Limited	
		4. Tech Mahindra (Beijing) IT Services	
		5. Mahindra Logisoft Business Consultation Limited	
		6. Tech Mahindra (Americas) Inc.	
		7. Satyam BPO Limited	
		8. Bridge Strategy Group LLC	
		9. Satyam Venture Engineering Services Private Limited	
3	Mr. C Achuthan	1. National Stock Exchange of India Limited	
		2. Satyam BPO Limited	Audit Committee - Member
		3. NSDL Database Management Limited	

Contd.



Sl. No	Name of the Director	Directorships	Committee memberships
4	Mr. T N Manoharan	1. Sahara India Financial Corporation Limited	Audit Committee - Chairman
		2. MCA Management Consultants Private Limited	
		3. Alpha Capital Management Private Limited	
		4. Satyam BPO Limited	Audit Committee - Member
5	Mr. M Damodaran	1. Tech Mahindra Limited	Audit Committee - Chairman
		2. Hero Honda Motors Limited	Audit Committee - Member
			Shareholders' Grievance Committee - Member
		3. ING Vysya Bank Limited	Board Credit Committee - Member
		4. ING Investment Management (Ind) Private Limited	
		5. Dedicated Freight Corridor Corporation of India Limited	
		6. Cochin Shipyard Limited	
7. Sobha Developers Limited			
6	Mr. Ulhas N Yargop	1. Tech Mahindra Limited	Audit Committee - Member
			Compensation Committee - Member
			Executive Committee - Member
			Investor Grievance-cum-Share Transfer committee - Chairman
		2. Venturbay Consultants Private Limited	
		3. Tech Mahindra (Americas) Inc.	
		4. Mahindra Logisoft Business Solutions Limited	
		5. CanvasM Technologies Limited	Audit Committee - Member
		6. Bristlecone Limited, Cayman Islands	Audit Committee - Member
			Compensation Committee - Member
		7. Bristlecone Inc	
		8. Mahindra & Mahindra Contech Limited	
		9. Mahindra Engineering Services Limited	Audit Committee - Chairman
		10. Bristlecone India Limited	
		11. Tech Mahindra GmbH	
12. Mahindra-BT Investment Company (Mauritius) limited			
13. Mahindra Telecommunications Investment Private Limited			
14. Officemartindia.com Limited			
15. AT&T Global Network Services India Private Limited	Remuneration Committee - Member		



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## Notice

Notice is hereby given that the 22<sup>nd</sup> Annual General Meeting of Satyam Computer Services Limited will be held as per the schedule given below.

Day and Date : Tuesday, December 21, 2010  
Time : 10.00 A.M.  
Venue : Sri Sathya Sai Nigamagmam (Kalyana Mandapam) 8-3-987/2, Srinagar Colony, Hyderabad - 500 073.

### Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at March 31, 2009, the Profit and Loss Account for the year ended on that date, and the Reports of the Directors' and Auditors' thereon.
2. To consider and pass the following resolution as an ordinary resolution:  
"RESOLVED THAT pursuant to the Hon'ble Company Law Board (CLB) orders dated October 15, 2009, July 06, 2009 and June 30, 2010 the appointment of M/s Deloitte Haskins & Sells, Chartered Accountants, (Registration No. 008072S) having its office at 1-8-384 & 385, 3<sup>rd</sup> floor, Gowra Grand, S.P. Road, Secunderabad, as statutory auditors of the Company from the financial year 2008-09 till the conclusion of the Annual General Meeting for the financial year 2009-10, at a remuneration of Rs. 5.75 crores and Rs. 1.75 crores for the years 2008-09 including the audit of prior period items and 2009-10 respectively, as determined by the Board of Directors, be and is hereby ratified."

### Special Business

3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:  
"RESOLVED THAT pursuant to Section 257 and other applicable provisions of the Companies Act, 1956, Mr. Ulhas N Yargop be and is hereby appointed as a Director of the Company, liable to retire by rotation."
4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:  
"RESOLVED THAT pursuant to Section 257 and other applicable provisions of the Companies Act, 1956, Mr. M Damodaran be and is hereby appointed as a Director of the Company, liable to retire by rotation."
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as special resolution:  
"RESOLVED THAT pursuant to Section 257 and other applicable provisions of the Companies Act, 1956, Mr. Vineet Nayyar be and is hereby appointed as a Director of the Company, liable to retire by rotation."  
"RESOLVED FURTHER THAT pursuant to the approval obtained from Central Government and the provisions of Sections 198, 269, 309, 310, 311, 316 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), approval be and is hereby accorded for the appointment of Mr. Vineet Nayyar, as Chairman and Director in Whole-time employment of the Company for a period of five years without remuneration."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as special resolution:  
"RESOLVED THAT pursuant to Section 257 and other applicable provisions of the Companies Act, 1956, Mr. C. P. Gurnani be and is hereby appointed as a Director of the Company, liable to retire by rotation."  
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and subject to such approvals as may be necessary, approval be and is hereby accorded for the appointment of Mr. C. P. Gurnani, as Whole-time Director and Chief Executive Officer of the Company for a period of five years without remuneration.

By order of the Board of Directors  
For Satyam Computer Services Limited

Place : Hyderabad  
Date : October 27, 2010

G. Jayaraman  
Company Secretary

### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself or herself. A proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company, not later than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member attending the meeting and voting in person if he or she so wishes. A form of proxy is given at the end of this Annual Report.
2. The Board paid interim dividend of Re.1 per share based on the then declared net profit for the quarter and half year ended on September 30, 2008. However in the absence of profits for the year 2008-09, the interim dividend paid in November 2008 was in violation of the Companies Act, 1956 and it is proposed to approach the appropriate authority to condone this violation. As such the ordinary business does not contain an item on confirmation of dividend, pursuant to Section 205 of the Companies Act, 1956.
3. Ministry of Corporate Affairs on the application of the Company, issued an order dated March 03, 2009, under Section 224(7) of the Companies Act, 1956 for the removal of Price Waterhouse as statutory auditors for the Financial Year 2008-09.  
Pursuant to the Hon'ble CLB orders dated October 15, 2009, July 06, 2009 and June 30, 2010 and on the recommendation of the Audit Committee, the Board appointed M/s Deloitte Haskins & Sells (DHS) as company's statutory auditors from the financial year 2008-09, till the conclusion of annual general meeting for the year 2009-10. In compliance to the orders of the Hon'ble CLB, the company seeks ratification from the shareholders in this meeting for the appointment of M/s Deloitte Haskins & Sells as statutory auditors of the Company. Pursuant to the provisions of Section 190 of the Companies Act, 1956, members are requested to consider this notice of Annual General Meeting as a special notice in respect of item no. 2.
4. Hon'ble CLB by an order dated 09.01.2009 suspended the then existing Board of Directors. Pursuant to the said order of the CLB and in exercise of the powers vested on Government of India



under the Companies Act, 1956, a new Board with six persons of eminence was constituted by the Ministry of Corporate Affairs (MCA), Government of India. Subsequently four of the six Directors were withdrawn effective July 17, 2009 by the MCA. Since two of the Directors on the Board are Government appointed Directors, who are not liable to retire by rotation and all the remaining are Additional Directors who hold office upto the date of this Annual General Meeting, the ordinary business does not include item(s) on retirement of Directors by rotation in terms of Section 256 of the Companies Act, 1956.

5. The register of members and share transfers books of the Company will remain closed from December 20, 2010 and December 21, 2010 (both days inclusive).
6. While members holding shares in physical form may write to the Company for any change in their addresses, members holding shares in electronic form may write to their depository participants for immediate updation.
7. Members/proxies are requested to bring duly filled in attendance slips to the meeting. The form of attendance slip is given at the end of this Annual Report.
8. The statutory registers maintained under Section 307 of the Companies Act, 1956 and the certificate from the auditors of the Company certifying that the Company's stock option plans are implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, and in accordance with the resolutions passed by the members in the general meetings will be available at the venue of Annual General Meeting for inspection by members.

By order of the Board of Directors  
For Satyam Computer Services Limited

Place : Hyderabad  
Date : October 27, 2010

G. Jayaraman  
Company Secretary

## **Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 and Clause 23(a) of the Articles of Association of the Company**

### **Item no. 3**

Mr. Ulhas N. Yargop was nominated by Venturbay Consultants Private Limited, (Venturbay) the wholly owned subsidiary of Tech Mahindra Limited, strategic investor of the Company, as Additional Director of the Company under Section 260 of the Companies Act, 1956, with effect from May 27, 2009 and he holds office upto the date of the ensuing Annual General Meeting.

The Company has received notice in writing from a member along with required deposit, proposing the candidature of Mr. Ulhas N. Yargop for the office of Director pursuant to the provisions of Section 257 of the Companies Act, 1956.

In compliance to clause 49 (G) of Listing Agreement, the brief details of Mr. Ulhas is provided as part of the Profile of Directors.

Mr. Ulhas N. Yargop holds 2 shares in the Company.

Your Directors recommend the resolution as set out in item no. 3 of the notice for your approval. No Director other than Mr. Ulhas is, in any way, concerned or interested in this resolution.

### **Item no. 4**

Mr. M. Damodaran was co-opted as Additional Director of the Company under Section 260 of the Companies Act, 1956 with effect

from December 09, 2009. He holds office of Director up to the date of ensuing Annual General Meeting. The Company has received notice in writing from a member along with required deposit, proposing the candidature of Mr. M. Damodaran for the office of Director pursuant to the provisions of Section 257 of the Companies Act, 1956.

In compliance to clause 49 (G) of Listing Agreement, the brief details of Mr. M. Damodaran is provided as part of the Profile of Directors.

Mr. M. Damodaran does not hold any shares in the Company.

Your Directors recommend the resolution as set out in item no. 4 of the notice for your approval. No Director other than Mr. M. Damodaran is, in any way, concerned or interested in this resolution.

### **Item no. 5**

Mr. Vineet Nayyar was nominated by Venturbay Consultants Private Limited, (Venturbay) the wholly owned subsidiary of Tech Mahindra Limited, the strategic investor of the Company, as Additional Director of the Company with effect from May 27, 2009, pursuant to Section 260 of the Companies Act, 1956.

The Board of Directors of the Company appointed Mr. Vineet Nayyar, as the Whole-time Director of the Company, pursuant to the provisions of Sections 198, 269, 309, 310, 311, 316 and Schedule XIII of the Companies Act, 1956 and other applicable provisions, for a period of five years with effect from June 01, 2009 with such remuneration as may be recommended by the Board and approved by the shareholders in the ensuing Annual General Meeting. On December 9, 2009, Mr. Vineet Nayyar was appointed as Chairman of the Board.

The Central Government vide its letter dated August 27, 2010 had approved the appointment of Mr. Vineet Nayyar as Whole-time Director for a period of five years with effect from June 01, 2009 without any remuneration, subject to the approval of members in the ensuing Annual General Meeting of the Company.

Mr. Vineet Nayyar is also the Vice Chairman and Managing Director of Tech Mahindra Limited.

In compliance to clause 49 (G) of Listing Agreement, the brief details of Mr. Vineet Nayyar is provided as part of the Profile of Directors.

Your Directors recommend the resolution as set out in item no. 5 of the notice for your approval. No Director other than Mr. Vineet Nayyar is, in any way, concerned or interested in this resolution. This may also be treated as a memorandum issued pursuant to Section 302 of the Companies Act, 1956.

### **Item no. 6**

Venturbay Consultants Private Limited, (Venturbay), the strategic investor of the Company, nominated Mr. C. P. Gurnani, as Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 with effect from May 27, 2009. He has been deputed by Tech Mahindra Limited, the 100% holding company of Venturbay.

Mr. C. P. Gurnani was appointed as the Whole-time Director and Chief Executive Officer of the Company effective June 23, 2009, pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 and other applicable provisions, for a period of five years with such remuneration as may be determined and decided by the Board. However the Board has not recommended any remuneration.

In compliance to clause 49 (G) of Listing Agreement, the brief details of Mr. C. P. Gurnani is provided as part of the Profile of Directors.

Your Directors recommend the resolution as set out in item no. 6 of the notice for your approval. No Director other than Mr. Gurnani is, in any way, concerned or interested in this resolution. This may also be treated as a memorandum issued pursuant to Section 302 of the Companies Act, 1956.

## Directors' Report

Your Directors present their report for the Financial Year 2008-09 along with the material events that have taken place till the date of this report.

On December 16, 2008, your Company announced that its then Board of Directors had approved the proposals to acquire 51% stake in Maytas Infra Limited and 100% stake in Maytas Properties Limited, Companies founded by the then Promoters. In deference to the views expressed by many investors upon this announcement, the then Board cancelled the acquisition proposals. Subsequently, a meeting of Board of Directors was scheduled on January 10, 2009 to consider (i) strengthening the governance structure of the Company, (ii) reviewing the Company's strategic options to enhance shareholder value and (iii) addressing issues arising out of possible dilution in the Promoters stake. However, in the meanwhile, series of resignations from the directorships took place within a short span of time. On January 7, 2009, in a communication ('the letter') addressed to the then existing Board of Directors of the Company and copied to the Stock Exchanges (Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd) and the Chairman of the Securities and Exchange Board of India, the then Chairman of the Company Mr. B. Ramalinga Raju stated that the Company's Balance Sheet as at September 30, 2008 carried an inflated cash and bank balances, non-existent accrued interest, an understated liability and an overstated debtors position. On January 9, 2009, the Company received an order passed by the Hon'ble Company Law Board, Principal Bench (CLB) that, the then existing Board of Directors stands suspended with immediate effect and authorised the Central Government to constitute a fresh Board of the Company with not more than 10 persons of eminence as Directors. Pursuant to the said order, the Government of India, Ministry of Corporate Affairs appointed six persons of eminence on the Board. The Government nominated Board at its meeting held on January 17, 2009 appointed M/s Amarchand & Mangaldas & Suresh A. Shroff & Co., Advocates & Solicitors as legal advisors to the Company. Further the Board directed the legal advisors to consider and appoint forensic investigators to facilitate an independent investigation. The details of forensic investigation are provided under Note 3 of Schedule 18 - Notes to Accounts.

Initially, Andhra Pradesh Crime Branch, Crime Investigation Department (AP CB CID), Hyderabad started the investigation, which was subsequently transferred to Central Bureau of Investigation (CBI), Hyderabad. In addition to the investigation by CBI, other regulatory agencies such as Registrar of Companies (ROC) / Serious Fraud Investigation Office (SFIO), Securities and Exchange Board of India (SEBI), Directorate of Enforcement (ED), Securities and Exchange Commission USA (SEC) etc., have been carrying out investigations on various matters pertaining to the Company.

The Board of Directors after taking into consideration the relevant factors, decided to bring in a strategic investor who could bring in funds and manage the affairs of the Company. Your Company through a global competitive bidding process invited bids for the selection of a strategic investor. On April 13, 2009, the Board, under the supervision of Justice S.P. Bharucha, Former Chief Justice of India evaluated the technical and financial bids of each of the qualified bidders and declared Venturbay Consultants Private Limited (Venturbay) a wholly owned subsidiary of Tech Mahindra Ltd., as the highest bidder to acquire a controlling interest in the Company, which was approved by CLB on April 16, 2009.

On May 5, 2009, Venturbay was allotted 302,764,327 equity shares of Rs. 2 each at a premium of Rs. 56 per share, (31% of the paid up capital) aggregating to Rs.17,560 Million. On July 10, 2009, Venturbay was further allotted 198,658,498 shares (being shortfall in the open offer of 199,079,413 shares) of Rs. 2 each at a premium of Rs. 56 per share aggregating to Rs.11,522 Million, thereby increasing the Venturbay holding to 501,843,740 shares representing 42.66% of the present issued and paid up share capital of the Company.

On June 21, 2009 your Company unveiled its new brand identity, 'Mahindra Satyam'. This strategic move paves the way for the emergence of a robust brand which draws from the Core Values of the Mahindra Group and the inherent strength of Satyam brand.

The CLB extended the time up to September 30, 2010 for submission and publication of financial results for the financial years 2008-09 and 2009-10, exempted your Company from publication of quarterly financial results from October 01, 2008 to March 31, 2010 as required under listing agreement with Indian stock exchanges and also permitted to publish the financial results for the quarter ended June 30, 2010 along with financial results for the quarter ended September 30, 2010.

The Company has notified its intention to delist the ADSs from the New York Stock Exchange (NYSE) since the Company is not in a position to file the restated US GAAP financial statements for the period ended March 31, 2009 on or before October 15, 2010, the extended compliance due date as per NYSE rules. Keeping in view the paramount interest of the investors, your Company is taking steps to enable the ADSs to be quoted without interruption in the Pink Over-The-Counter (OTC) Markets, USA.

### Financial highlights

Particulars	(Rs. in Million)	
	2008-09	2007-08*
Income from operations	84,062	81,373
Other Income	617	2,572
Total Income	84,679	83,945
Operating (Loss) / Profit (PBIDT)	(12,031)	20,856
Interest and Financing Charges	390	59
Depreciation / Amortisation	2,972	1,379
Prior period adjustments	62,428	-
(Loss) / Profit before tax	(77,821)	19,418
Provision for tax	1,531	2,261
Profit/(Loss) after tax	(79,352)	17,157
Equity share capital	1,348	1,341
Reserves & Surplus	16,063	72,217
Transfer (from) / to General Reserve	(6,337)	1,716
Earnings per share (Rs. Per equity share of Rs. 2 each)		
-Basic (Rs.)	(117.91)	25.66
-Diluted EPS (Rs.)	(117.91)	25.12
Dividend Rate (%)	50^	175#

\* refer Note 39 of Schedule 18 – Notes to Accounts.

^ Represents interim dividend; # represents both Interim and Final Dividend

### Business overview

Your Company reported total income of Rs. 84,679 Million for the financial year ended March 31, 2009. North America, Europe, Asia Pacific and rest of the world accounted for 61.42%, 19.81%, 12.08% and 6.69% of the revenues respectively. Offshore revenue during the year was 46.15% while onsite was 53.85%. The unpredicted events discussed in this report significantly impeded the Company's performance and resulted in net prior period adjustments of Rs. 62,428 Million.





Since the suspension of erstwhile Board of Directors, the relentless efforts of the Government of India and the support of regulatory authorities helped to rehabilitate the Company. The Company worked diligently to stabilize by retaining most of its customers, continuing to serve them without disruption and even succeeded to win over some of new customers.

## Appropriations

The operations during the year under review resulted in a net loss of Rs.79,352 Million, which after netting off the opening balance of profit and loss account brought forward was adjusted against the available General Reserve as disclosed in the Balance Sheet as at March 31, 2008.

## Dividend

During the year under review, the Company paid interim dividend of Re.1 per share based on the then declared net profits. However, in the absence of profits, the interim dividend paid in November 2008 was in violation of Section 205 of the Companies Act, 1956. Your Company is proposing to approach appropriate authority to condone this violation, among others. Further, in the absence of profits, no final dividend has been recommended by the Directors.

## Increase in the share capital

Pursuant to the orders of the Hon'ble Company Law Board dated February 19, 2009 the authorised share capital of the Company was increased effective February 21, 2009, from Rs.1,600 Million (Rupees One thousand six hundred Million only) divided into 800,000,000 (Eight hundred Million only) equity Shares of the face value of Rs.2/- (Rupees Two only) each to Rs.2,800 Million (Rupees Two thousand eight hundred Million only) divided into 1,400,000,000 (One thousand four hundred Million only) equity Shares of the face value of Rs.2/- (Rupees Two only) each.

During the year under review, the paid-up share capital of the Company increased from Rs.1,341 Million divided into 670,479,293 equity shares of Rs. 2 each to Rs.1,348 Million divided into 673,894,792 equity shares of Rs. 2 each, consequent to issue of 3,415,499 equity shares of Rs. 2 each to Associates upon exercise of options under the stock option plans of the Company.

## Human resources

The total number of Associates on March 31, 2009 was 41,267 as against 45,969 on March 31, 2008.

To deal with the unfortunate situation that your Company found itself in, there was a need to bring in a healthy balance between revenues and expenses while retaining the key talent. Towards this objective, subsequent to the year under review, an innovative proposition called the 'Virtual Pool Program (VPP)' was launched. This one-time measure, was a humane and sensitive approach aimed to achieve the multiple objectives of cost reduction & resource optimization (from a business perspective) while ensuring job continuity for the affected Associates. While close to 7,500 Associates were placed on VPP, over 2,280 Associates have been recalled into active projects and engagements.

Your Company is deeply committed to ensuring that the unfortunate blemish does not affect its avowed commitment to doing business and achieving professional excellence, with the utmost integrity and ethical values. Your Company would like to build and sustain a culture where ethical conduct is valued, recognized and exemplified, at all levels.

## Infrastructure

During the year 2008-09, your Company continued to create best-in-class infrastructure facilities to support its growth strategies. Out of 6,619 spaces created during the year, 96% were in Leased SEZ Facilities in different locations while the rest were in own Campus in Bangalore.

Subsequent to the year under review, considering the available own Campus spaces, your Company surrendered 19,655 leased/rented spaces across various locations as part of the Space Consolidation process. The SEZ Project construction at Infocity has been re-commenced to create around 5000 Spaces for IT and ITES requirement.

Your Company was allotted lands in different states for creation of development centers over a period of time. Subsequent to the year under review, considering the current requirement and the financial & other obligations associated with the allotment, your Company surrendered the lands at Kolkata and Gandhinagar and has taken steps to surrender the lands at Madurai and Nagpur.

## Quality

Delivery quality has been the substratum of your organization's sustenance and growth for all these years and is the key differentiator for the year under review, to pass through the turbulent times. Your Company has a well-defined and documented Quality Management System (QMS), which establishes wide processes to implement quality and continuously improve organization's overall process capability, keeping in focus the delivery for the customer.

During January 2009, the Hyderabad, Vishakhapatnam, and Bhubaneswar delivery centers have been assessed at Level 5 of the CMMI ver. 1.2 from SEI-CMU. Your Company is the third Company in India to achieve BS25999 certification, the latest standard in Business Continuity Management for all India operations, based on the comprehensive Business Continuity and Disaster Recovery framework in place to prevent and contain potential business disruptions in the event of disaster. This enables resumption of services quickly to customers' acceptable service levels. These external certifications are testimony of the robustness of our business processes and at large the Quality culture imbibed by every associate.

Your Company has set benchmarks by developing and deploying simple, efficient and effective processes related to Health Safety & Environment (HSE) in accordance with ISO 14001 and OHSAS 18001 standards. As part of ongoing efforts to reinforce the quality culture and customer orientation, your Company is driving Quality Management Systems (QMS) certification for all associates. The Company has a comprehensive Delivery Framework integrating both Program and Project management processes.

Six Sigma has been a major driver for continuous improvements and customer delight during the year under review, with over 120 Six Sigma projects implemented for new process definitions and solutions to business problems. During the year, over 130 associates are certified as Green Belt, Black Belt and Master Black Belt. The Company has developed best practices and tools in the area of Software estimation, which is being widely used for all proposal and project estimations.

## Awards and recognitions

The following are some of the recognitions your Company earned during the period under review:

- Asian MAKE (Most Admired Knowledge Enterprise) Award – by Teleos, in association with KNOW Network
- UK Trade & Investment India (UKTI) Business Award for corporate social responsibility
- SAP Pinnacle Award 2008 under "Service – Ecosystem Expansion (Growth)" category

## Corporate Governance

A report on Corporate Governance, along with a certificate for compliance with the Clause 49 of the Listing Agreement issued by the Practising Company Secretary is provided elsewhere in this Annual Report.

## Subsidiaries

Ministry of Corporate Affairs (MCA) vide their letter dated April 8, 2010, granted approval under Section 212 (8) of the Companies Act, 1956 exempting your Company from attaching the documents of seventeen subsidiaries, as specified under Section 212 (1) of the Companies Act, 1956. Accordingly, the said documents are not attached to the Balance Sheet. However, the said documents are available for inspection by the members at the registered office of the Company. The members interested in obtaining the said documents may write to the Company Secretary at the registered office of the Company.

During the year under review, your Company acquired -

- (i) S&V Management Consultants (S&V) a Belgium based Supply Chain Management strategy consulting firm through its wholly-owned subsidiary viz., Satyam Computer Services Belgium incorporated for this purpose.
- (ii) 50% equity held by CA Inc., in CA Satyam ASP Private Limited (joint venture). Consequently, CA Satyam ASP Private Limited became 100% subsidiary effective September 25, 2008 and the name of CA Satyam ASP Private Ltd., subsidiary of your Company has been changed to C&S System Technologies Private Limited effective November 19, 2008.

## Satyam Venture Engineering Services Private Limited (SVES)

SVES was incorporated as a joint venture between your Company and Venture Global Engineering LLC (VGE) USA, to provide engineering and computer services to the automotive industry. The Company and VGE has equal stake in SVES. On account of a dispute between the parties, the Company invoked the arbitration clause in the shareholder agreement and submitted the dispute to the London Court of International Arbitration (LCIA).

The Arbitrator gave an award dated April 3, 2006 in favour of the Company. The Company filed for enforcement and recognition of the award before the District Court of Michigan, U.S.A. The District Court on July 31, 2006 directed enforcement of the award and the Sixth Grant Court of Appeals in USA on May 25, 2007 affirmed it. On April 28, 2006, while the proceedings were pending in the USA, VGE also filed a suit before the District Court of Secunderabad in India for setting aside the award dated April 3, 2006. The District Court of Secunderabad and the High Court of Andhra Pradesh dismissed VGE's petition for setting aside the award. On an appeal by VGE, the Supreme Court of India on January 10, 2008, set aside the orders of the District Court and the High Court and remanded the matter back to City Civil Court, Hyderabad for hearing on merits. The Supreme Court also directed status quo with regard to transfer of shares till the disposal of the suit.

On January 17, 2008, the District Court of Michigan held VGE in contempt for its failure to honour the award and amongst others directed VGE to dismiss its Board members and replace them with individuals nominated by the Company. The order of the District Court of Michigan in contempt proceeding was affirmed by the Sixth Court of Appeals on April 9, 2009. Following this VGE has appointed the Company's nominees on the Board of SVES and SVES confirmed the appointment at its Board meeting held on June 26, 2008. The Company is legally advised that SVES became its subsidiary under Section 4(2)(c) of the Companies Act, 1956 with effect from June 26, 2008. The approval granted under Section 212(8) of Companies Act, 1956 by the MCA exempting your Company from attaching the documents of subsidiaries as referred herein above is exclusive of SVES. Subsequent to the said approval the Company has made an application to the MCA seeking exemption from attaching the documents of SVES, as specified under Section 212(1) of the Companies Act, 1956. If the approval is granted, the said documents for SVES are not required to be attached with the Balance Sheet of the Company.

VGE also sought to file an application for bringing additional pleadings on record in the matter pending before the City Civil Court which allowed VGE's application. As the High Court of Andhra Pradesh allowed the Company's appeal against the order of the City Civil Court, VGE appealed against the order of the High Court to the Supreme Court. The Supreme Court on August 11, 2010 allowed VGE's application to bring on record additional pleadings. The matter is pending before the City Civil Court, Hyderabad.

## Social programs

Your Company's contribution to the betterment of society is put into practice through Satyam Foundation, the Company's Corporate Social Responsibility (CSR) arm. The Foundation, over the years has evolved into a full-fledged CSR, involved in creating innovative solutions which are at large scale and sustainable for social transformation. (Examples - 108 EMRI/ 104 HMRI as emergency and non emergency Health solutions). During this period HMRI was scaled up at phenomenal speed and today delivers health services to the underserved communities in Andhra Pradesh.

The Foundation worked on issues such as Education, Livelihoods, Health, HIV/AIDS, Street Children, Beggars Rehabilitation, empowering Persons with Disability and Environment. Activities in these areas were carried out in Domestic Chapters and International Chapters. Volunteering is another Foundation focus area and plays a major role in the Company CSR programs. Thousands of passionate and dedicated volunteers were a driving force behind the Foundation's initiatives. Thousands of Company's associates contributed generously to flood relief operations, both in cash and kind.

The detailed activities of Satyam Foundation during the year are given elsewhere in this Annual Report.

## Fixed deposits

Your Company did not accept any deposits during the year under review.

## Directors

During the year under review, the Board was reconstituted pursuant to the orders passed by the Hon'ble CLB, Principal Bench, New Delhi. The changes in Directors during the year under review and subsequent period are given below:

Dr. Mangalam Srinivasan, Independent Director, resigned from the Board effective December 25, 2008. Prof. Krishna G. Palepu, Non-executive Director and Mr. Vinod K. Dham, Independent Director resigned effective December 28, 2008 and Prof. M. Rammohan Rao, Independent Director resigned effective December 29, 2008.

Pursuant to the communication received from the Government of India on January 9, 2009, the then Board of Directors stands suspended with immediate effect.

Ministry of Corporate Affairs, Government of India vide its letter dated January 11, 2009 appointed three Directors on the Board viz. Mr. Deepak S. Parekh, Mr. Kiran Karnik, and Mr. C. Achuthan. On January 15, 2009, Ministry of Corporate Affairs, Government of India appointed three more Directors on the Board viz., Mr. Tarun Das, Mr. T. N. Manoharan and Mr. S. B. Mainak. Mr. Kiran Karnik, was further appointed as Chairman of the Board of Directors by the Ministry of Corporate Affairs, Government of India.

The Board co-opted the nominees of Venturbay viz., Mr. Vineet Nayyar, Mr. Ulhas N. Yargop Mr. C. P. Gurnani and Mr. Sanjay Kalra, as Additional Directors, effective May 27, 2009.

Mr. Vineet Nayyar and Mr. C. P. Gurnani were appointed as Whole-time Directors of your Company with effect from June 01, 2009 and June 23, 2009 respectively.





Pursuant to the communication received from Ministry of Corporate Affairs, Government of India, Mr. Kiran Karnik, Mr. Deepak S. Parekh, Mr. Tarun Das and Mr. S. B. Mainak ceased to be the Directors on the Board of the Company with effect from July 17, 2009.

Your Company appointed Mr. M. Damodaran, former Chairman of the Securities and Exchange Board of India (SEBI) and Mr. Gautam S. Kaji, former Managing Director for operations, World Bank as Additional Directors on December 9, 2009.

Mr. Sanjay Kalra, the Nominee Director of Venturbay has submitted his resignation from the directorship of your Company on August 27, 2010.

As on March 31, 2009, all the six Directors on the Board of the Company were Government nominated Directors under Section 408 of the Companies Act, 1956 and accordingly these Directors are not liable to retire by rotation.

### **Auditors**

On January 13, 2009, Price Waterhouse (PW), the then statutory auditors, communicated that their audit reports and opinions in relation to the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon.

Ministry of Corporate Affairs on the application of the Company, issued an order dated March 03, 2009, under section 224(7) of the Companies Act, 1956 for the removal of Price Waterhouse as statutory auditors for the financial year 2008-09.

Pursuant to the Hon'ble CLB orders dated July 6, 2009 and October 15, 2009 and the recommendation of the Audit Committee, on December 9, 2009, your Board of Directors appointed M/s Deloitte Haskins & Sells (DHS) as statutory auditors for the Financial Years 2008-09 and 2009-10. The appointment of statutory auditors is valid till the conclusion of Annual General Meeting for the year 2009-10 and in compliance with the orders of the Hon'ble CLB, your Company seeks ratification of the statutory auditors' appointment in the Annual General Meeting for the year 2008-09.

The information and explanations on the qualifications and adverse remarks contained in the audit report are provided in detail in the Schedule 18 - Notes to Accounts. Your Board opines that no further explanation is required in this regard.

### **Legal matters**

#### **Alleged Advances**

The erstwhile Chairman in his letter dated January 07, 2009, among others, stated that the balance sheet as of September 30, 2008 carried an understated liability of Rs. 12,304 Million on account of funds arranged by him. Subsequently, your Company received legal notices from thirty seven Companies claiming repayment of Rs. 12,304 Million allegedly given as temporary advances and also damages/compensation @ 18% per annum from the date of advance till the date of repayment.

The Directorate of Enforcement is investigating the matter under the Prevention of Money Laundering Act, 2002 and directed the Company to furnish details with regard to the alleged advances and has further directed the Company not to return the alleged advances until further instructions.

These thirty seven Companies also have filed suits before City Civil Courts, Secunderabad for recovery against the Company with a prayer to file as an indigent person. Your Company is contesting the claims for recovery filed as indigent petitions/suits by these companies.

More details are provided in Note 6.1 of Schedule 18 - Notes to Accounts.

#### **Upaid Systems Limited (Upaid)**

The legal proceedings initiated against your Company by Upaid in the

United States District Court for the Eastern District of Texas, for alleged forgery of documents, sought damages exceeding USD 1 billion for fraud and forgery in addition to other punitive damages, fees and costs.

Your Company entered into Settlement Agreement with Upaid for an amount of USD 70 Million, requiring Upaid to grant to your Company perpetual worldwide royalty free licence on all its patents, and providing for the dismissal with prejudice of all pending actions. Accordingly your Company deposited Rs. 3,274 Million towards the settlement amount of USD 70 Million into the escrow account.

Subsequently, the Company obtained a favourable ruling against Upaid from the Supreme Court of the State of New York, USA declaring that Upaid was solely responsible for any tax liability under Indian law in respect of the settlement amount. Upaid has filed an application before the Authority for Advance Rulings seeking a binding advance ruling under the Income Tax Act, 1961 (IT Act), for taxability of the above mentioned payment. The order of the Authority for Advance Rulings has not been delivered till date.

Pending resolution of dispute, the Texas Action is currently adjourned.

More details are provided in Note 6.2 of Schedule 18 - Notes to Accounts.

### **Class Action Complaints**

#### **i. Class Action Complaint**

Subsequent to the letter by the erstwhile Chairman, a number of persons claiming to have purchased the Company's securities filed class action lawsuits in various courts in the USA alleging violations of the anti-fraud provisions of the Securities Exchange Act of 1934. The Company, the former officers, Directors and former auditors of the Company, Maytas Infra Limited and some of its Directors, Maytas Properties Limited and some of its Directors are named as defendants in these lawsuits. The lawsuits were consolidated into a single action (the 'Class Action') in the United States District Court for the Southern District of New York (the 'Court').

The Class Action Complaint seeks monetary damages to compensate the Class Members for their alleged losses arising out of their investment in the Company's common stock and ADS during the Class Period.

#### **ii. On November 13, 2009, a trustee of two trusts that are assignees of the claims of twenty investors who purchased the Company's ADS or common stock (prior to the aforementioned letter by the erstwhile Chairman of the Company) and who sold their ADS or common stock after the confession, filed a complaint against the Company, its former auditors and certain other individuals (the 'Action') on grounds substantially similar to those contained in the Class Action Complaint mentioned above. The Action, which has been brought as an individual action, was filed after the consolidation of various class action lawsuits. The complaint filed in the Action alleges that the losses suffered by the twenty investors, for which recovery is sought, is over USD 68 Million.**

#### **iii. Consolidation of Class Action Complaint and the Action**

The Action was transferred to the Court in the Southern District of New York for pre-trial consolidation with the Class Action Complaint.

Your Company is contesting the above law suits.

### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are provided in Annexure - A, which forms part of this report.

## Employee particulars

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules 1975 as amended forms part of this report. However, in pursuance of Section 219(1)(b)(iv) of the Companies Act, 1956 this report is being sent to all the shareholders of the Company excluding the aforesaid information and the said particulars are made available at the registered office of the Company. The members interested in obtaining information under Section 217 (2A) may write to the Company Secretary at the registered office of the Company.

## Directors' Responsibility Statement

As required by the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is provided as Annexure - B to this report.

## Associate Stock Option Plan (ASOP)

As required by clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the particulars of the Stock option plans of your Company are furnished as Annexure - C to this report.

## Acknowledgements

Your Company gratefully acknowledges the unstinted efforts of the Government of India for their prudent and timely support to the Company in surpassing the catastrophe. The Company places on record its gratitude to SEBI, BSE, NSE, SEC and NYSE and other national and international regulatory bodies for their laudable support.

The Board places on record its deep appreciation for the phenomenal and altruistic efforts of all the Government nominated Directors Mr. Kiran Karnik, Mr. Deepak S. Parekh, Mr. C. Achuthan, Mr. Tarun Das, Mr. T. N. Manoharan and Mr. S. B. Mainak, in rebuilding the confidence of customers and other stakeholders. Your Company also recognises the pro bono services of Special Advisors to the Board, Mr. Homi R. Khusrokhhan and Mr. Partho S. Datta during the crisis.

Your Company is extremely privileged for the confidence reposed by the customers, which helped to keep the ship afloat and motivated the Associates to focus on delivery excellence.

The Company places on record its gratitude to banks and financial institutions for their continued support, in particular for the timely financial support provided by the IDBI Bank and Bank of Baroda during period of adversity.

The Company also acknowledges with gratitude all the investors, vendors and partners who stood by the Company with patience during turbulent times.

Last but not the least, your Directors deeply appreciate the sustained efforts of the associates in spite of extraordinary challenges, which helped the Company's revival on a fast track and continued its journey to create history.

For and on behalf of the Board of Directors

Place: Hyderabad  
Date: September 29, 2010

Vineet Nayar  
Chairman

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## Annexure 'A' to the Directors' Report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### A) Details of Conservation of Energy:

Your Company uses electrical energy for its equipment such as air-conditioners, computer terminals, lighting and utilities at work places. As an ongoing process, your Company continued to undertake the following measures to conserve energy:

- Incorporating new technologies in the air-conditioning system in upcoming facilities to optimise power consumption.
- Identification and replacement of low-efficient machinery (AC) in a phased manner.
- Identification and replacement of outdated and low-efficient UPS systems in a phased manner.
- Conducting continuous energy-conservation awareness and training sessions for operational personnel.

### B) Technology Absorption: The details are given below:

#### (a) Research and Development (R&D) :

- 1) *Specific areas in which R&D work has been done by the Company and benefits expected:*

The Company believes that domain based innovation and process related innovation lay a solid foundation to meet and exceed customer and investor expectations. Domain based innovations help our customers in enhancing their products / services, and achieving significant time/cost reductions. Innovation led artifacts add to the IP assets

of the Company and provide an opportunity to create market led solutions fairly and regularly.

Your Company is creating IPs (includes patentable innovations) and solutions and focuses on collaborative innovation by co-working with the customer R&D labs and academia.

The research and development activities will help your Company to gear for future opportunities and focused to provide unique benefits to the customers and other stakeholders by working both proactively (self-driven research) and reactively (customer-driven research). The vision is to be recognized as an R&D partner in selected areas of Communication and Computation leading to the design and development of algorithms. The objectives are to (a) carry out applied research in the areas that are closely related to the business objectives of our Company; (b) create tangible IP artefacts; (c) present and publish papers in international conferences; (d) publish papers in refereed journals; (e) file patent applications, mostly in USPTO; and (f) help build market led showcase and market ready solutions based on research results.

During the year April 2008 – March 2009, your Company

- successfully continued collaboration with a major Japanese IT and Network Technology integrated solutions Company to deliver solutions related to advanced network management in the context of next generation data centers;



- Published about ten peer reviewed papers in international conferences and journals mainly in the areas of (a) Networking and QoS (Wireless technology); (b) Media and Entertainment (text and image processing); and (c) Information processing algorithms;
- Filed ten patent specifications (user profiling – three, multimedia analysis – two, network traffic analysis – two, content delivery – one, enterprise system – one, mobile environment - one) and filed response to twelve office action reports related to our filed patent applications filed in USPTO; during the year, three of our invention disclosures got granted by USPTO; and
- Continued to improve the ten algorithms to create own reusable IP and enhanced the initial versions of four end-to-end solutions based on these algorithms in the areas of deep packet analysis, ad targeting, text and video analyses, and proxy systems.

Your Company filed twenty nine patent applications and published about two hundred and two technical papers in international conferences and journals and your Company has been granted five of invention disclosures by USPTO.

- 2) *Future plan of action:* Your Company will continue its applied research focus in the areas of Telecom, Tech Infrastructure and Media & Entertainment to create reusable IP artefacts and build reusable solutions around the created IPs. Your Company plan to publish technical papers and file patent applications as a basis for the solutions under consideration and develop prototypes for demonstration purposes. Also, your Company target to use some of the published algorithms and ideas described in patent applications as part of customer related solutions and also plan to undertake customer driven research activities leading to the state-of-the-art solutions for the customers. In fact, your Company expects the acceptance of its IPs by the customers leading to the customization and integration of the IPs with the customer products. In short, your Company's plan is to

bring IP based market ready solutions for reducing time to market for the customers.

3. *Expenditure on R&D*

a. Capital	: Rs. Nil
b. Recurring	: Rs. Nil
c. Total	: Rs. Nil
d. Total R&D expenditure as a percentage of total turnover	: Not Applicable

**(b) Technology Absorption, Adaptation and Innovation:**

1. *Efforts made towards technology absorption, adaptation and innovation and benefits derived as a result of the above efforts.*

The algorithms and systems developed as part of the applied research activities are used to build showcase solutions. The technology and domain knowledge obtained during R&D work, and algorithms, frameworks, and solutions developed as part of R&D work are quite useful in effectively executing customer projects. Further, the algorithms are also to be used as part of demo software and solutions such as (a) ad targeting; (b) context aware mobile solutions; (c) proxy systems, and (d) rich media spam and leak for IPS/IDS systems. These solutions lay a strong foundation for our business unit's service offerings.

2. *Information about imported technology:* Nil

**C) Foreign Exchange Earning and Outgo**

1. Initiatives like increasing exports, development of new export markets etc. to increase foreign exchange	: 96.00% of total revenue of the company are from exports
2. Foreign exchange earned (on accrual basis)	: Rs. 82,000 Million
3. Foreign exchange outgo (on accrual basis)	: Rs. 47,143 Million

## Annexure 'B' to the Directors' Report

### DIRECTORS' RESPONSIBILITY STATEMENT

To the Members

We the Directors of Satyam Computer Services Limited confirm the following:

- The applicable accounting standards had been followed along with proper explanation relating to material departures in the preparation of the annual accounts;
- The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- Subsequent to the appointment of the new Board, the Directors had taken proper and sufficient care for the maintenance of adequate accounting records for the year in accordance with

the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, taking into account the financial irregularities identified in Note 3, regulatory non-compliances / breaches identified in Note 8 and deficiencies in financial reporting process identified in Note 9 of Schedule 18 - Notes to Accounts.

- The Directors had prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors

Place: Hyderabad  
Date: September 29, 2010

Vineet Nayyar  
Chairman

## Annexure 'C' to the Directors' Report

### Associate Stock Option Plan (ASOP)

The details of Associate Stock Option Plans (ASOP) are given below.

Particulars		ASOP – A	ASOP – B	ASOP – ADS	ASOP – RSUs	ASOP – RSUs (ADS)
(a)	No. of options granted during the year	16,150	Nil	Nil	61,500	282,263
(b)	The pricing formula	Refer foot note 1	Refer foot note 2	Refer foot note 2	Refer foot note 3	Refer foot note 3
(c)	The maximum vesting period	3 years	5 years	5 years	5 years	5 years
(d)	Options vested during the year	7,445	4,698,986	176,578	863,107	70,038
(e)	Options exercised during the year	6,925	2,953,573	83,402	273,188	10,967
(f)	The total number of shares arising as a result of exercise of options during the year.	138,500	2,953,573	166,804	273,188	21,934
(g)	Options cancelled/ lapsed during the year.	1,010	625,460	4,074	170,541	25,836
(h)	Variation of terms of options	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
(i)	Total number of options in force	10,815	12,062,094	1,195,642	2,767,973	495,175
j)	Money realised by exercise of options on receipt basis					Rs.531 Million
k)	Employee-wise details of options granted to					
(i)	Key management personnel during the year					Nil
(ii)	Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year.					No
(iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.					Nil
l)	Diluted Earnings Per Share (EPS) (on par value of Rs. 2 per share) calculated in accordance with Accounting Standard 20.					Rs. (117.91)
m)	In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had 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 your Company's net profit and earnings per share would have been as follows:					

Particulars	Year ended March 31,	
	2009	2008
<b>1. Profit/ (Loss) after Taxation and before Non-recurring/ Extraordinary Items</b>		
- As reported (Rs. in Million)	(79,352)	17,157
- Proforma (Rs. in Million)	(79,412)	17,013
<b>2. Earnings per share:</b>		
<b>Basic</b>		
- No. of shares	673,014,491	668,673,978
- EPS as reported (Rs)	(117.91)	25.66
- Proforma EPS (Rs)	(117.99)	25.44
<b>Diluted</b>		
- No. of shares	673,014,491	683,138,400
- EPS as reported (Rs)	(117.91)	25.12
- Proforma EPS (Rs)	(117.99)	24.90



- n) Weighted-average exercise prices of stocks and weighted-average fair values of options, separately for options whose exercise price is either equals or exceeds or is less than the market price of the stock:

Options	Weighted average exercise price Rs.	Weighted average fair value Rs.
ASOP-A	388.59	6,440.00
ASOP-B	436.00	NA
ASOP ADS	1,005.00	NA
ASOP RSU	2.00	444.00
ASOP RSU ADS	4.00	1,027.00

- o) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:

The fair value of options has been calculated by using Black Scholes' method. The assumptions used in the above are:

S. No	Particulars	ASOP-A	ASOP-B	ASOP ADS	ASOP RSU	ASOP RSU ADS
1.	Risk-free interest rate	8.12%	8.12%	8.12%	8.12%	8.12%
2.	Expected life (years)	0.04 - 2.04	-	-	3.5 - 6.5	3.5 - 6.5
3.	Expected volatility	40.51% - 55.57%	-	-	37.17% - 43.57%	39.26% - 49.17%
4.	Expected dividends	0.78% - 0.68%	-	-	0.87% - 1.10%	0.87% - 1.10%

5. The price of the underlying share in market at the time of option grant:

Grant Date	ASOP RSU (Rs.)	ASOP RSU (ADS) (Rs.)
21.04.2008	459.00	505.80
04.07.2008	461.05	532.60*
17.07.2008	414.75	503.69

(\* Since there was no trade on July 4, 2008 at NYSE, the closing price as at July 3, 2008 was considered)

**Notes:**

- 1) The Satyam Associate Trust exercised all the earmarked shares @ Rs.450/- each by obtaining loans in the year 1999. Accordingly, the warrants were granted at Rs.450/- each plus the interest computed based on fixed interest rate of 14.25% p.a. Each warrant entitles the grantee with 20 equity shares of Rs.2/- each fully paid up duly adjusted for Bonus issues in 1999 & 2006 and stocks split in August 2000.
- 2) 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  
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; whichever is higher.
- 3) Not less than the face value of the equity shares or such other price as may be calculated in accordance with the applicable statutory rules, regulations, guidelines and laws, on the date of grant.

## Report on Corporate Governance

### Company's Philosophy

Satyam Computer Services Limited ('Satyam') defines its stakeholders as its Customers, Associates, Investors and the Society at large. At the core of the Company's philosophy lies its focus on customer centricity and the goal of ensuring stakeholder delight at all times through innovative solutions and services, thereby fulfilling the role of a responsible service provider, committed to best practices. The Company understands that in order to realize this vision and become a global top-tier consulting and technology services company, it needs to achieve industry leading benchmarks in corporate governance, delivery excellence and employee satisfaction. The Board is responsible for setting the strategic objectives for the Management and ensuring that stakeholders' long-term interests are served. The Management in turn is responsible for establishing and implementing policies, procedures and systems to enhance the long-term value of the Company and delight all its stakeholders.

The communication of the erstwhile Chairman on January 07, 2009 on financial irregularities created a dent in the Company's record on Corporate Governance. The subsequent intervention by the Government of India in resurrecting the organization effected a change in Satyam's ownership in the year 2009-10 and the new management is committed to setting a high standard of Corporate Governance.

### Change in Board of Directors

The sequence of events that lead to consequential change in Board of Directors is detailed below:

- January 07, 2009 - The erstwhile chairman sent a communication ('letter') to the then Board of Directors with copies to the Stock Exchanges (Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd) and the Chairman of the Securities Exchange Board of India, revealing financial irregularities.
- January 09, 2009 - Upon petition filed by Union of India under Sections 388B, 397, 398, 401-408 of the Companies Act, 1956, the Hon'ble Company Law Board, Principal Bench (CLB) suspended the then existing Board of Directors with immediate effect and authorised the Central Government to constitute a fresh Board with not more than ten persons of eminence as Directors.
- January 11, 2009 - The Government of India, appointed three Directors on the Board:
  - Mr. Deepak S. Parekh, Executive Chairman of Housing Development Finance Corporation Limited (HDFC),
  - Mr. Kiran Karnik, Former President of the National Association of Software and Services Companies (NASSCOM)
  - Mr. C. Achuthan, Former Chairman of the Securities Appellate Tribunal.
- On January 15, 2009 - The Government of India further appointed three more Directors on the Board:
  - Mr. Tarun Das, Chief Mentor, Confederation of Indian Industry,
  - Mr. T. N. Manoharan, Former President of the Institute of Chartered Accountants of India,
  - Mr. S. B. Mainak, Executive Director, Life Insurance Corporation of India.

### Board of Directors

#### Composition and Category of Directors:

I. April 01, 2008 to January 09, 2009

Name	Category	Designation	No. of meetings <sup>1</sup>		No. of Directorships in other companies <sup>3</sup>	No. of committee positions in other companies <sup>4</sup>		Attendance at last Annual General Meeting	Resignation / Cessation
			Held	Attended		Member	Chairperson		
Mr. B. Ramalinga Raju	Promoter and Executive Director	Chairman	4	4	1	-	-	Yes	Suspended on 09.01.2009
Mr. B. Rama Raju	Promoter and Executive Director	Managing Director	4	4	1	2	1	Yes	Suspended on 09.01.2009
Mr. Ram Mynampati	Director in whole- time employment	Whole-time Director	4	4	-	-	-	No	Suspended on 09.01.2009
Dr. (Mrs.) Mangalam Srinivasan	Independent Director	Director	4	4	-	-	-	No	Resigned on 25.12.2008
Prof. Krishna G. Palepu	Non-executive Director	Director	4	2 <sup>2</sup>	1	1	2	No	Resigned on 28.12.2008
Mr. Vinod K. Dham	Independent Director	Director	4	2 <sup>2</sup>	1	1	0	No	Resigned on 28.12.2008

Contd.





Name	Category	Designation	No. of meetings <sup>1</sup>		No. of Directorships in other companies <sup>3</sup>	No. of committee positions in other companies <sup>4</sup>		Attendance at last Annual General Meeting	Resignation / Cessation
			Held	Attended		Member	Chairperson		
Prof. M. Rammohan Rao	Independent Director	Director	4	3 <sup>2</sup>	4	3	1	Yes	Resigned on 29.12.2008
Mr. T. R. Prasad	Independent Director	Director	4	4	7	2	2	No	Suspended on 09.01.2009
Prof. V. S. Raju	Independent Director	Director	4	4	2	4	-	Yes	Suspended on 09.01.2009

<sup>1</sup> Meetings were held on April 21, July 18, October 17 and December 16, 2008.

<sup>2</sup> Participated in the remaining meeting(s) through audio / video conference.

<sup>3</sup> Excludes private companies, foreign companies, companies registered under Section 25 of the Companies Act, 1956 and alternate Directorships

<sup>4</sup> Represents Audit committee and Investors' Grievance committee in public limited companies.

## II. January 11, 2009 to March 31, 2009

Name	Category	Designation	No. of meetings <sup>1</sup>		No. of Directorships in other companies <sup>2</sup>	No. of committee positions in other companies <sup>3</sup>		Attendance at last Annual General Meeting <sup>4</sup>
			Held	Attended		Member	Chairperson	
Mr. Deepak S. Parekh	Independent Director	Government Nominee Director	13	12	12	2	5	NA
Mr. Kiran Karnik	Independent Director	Government Nominee Director	13	13	2	1	-	NA
Mr. C. Achuthan	Independent Director	Government Nominee Director	13	13	2	-	-	NA
Mr. Tarun Das	Independent Director	Government Nominee Director	13	10	1	-	-	NA
Mr. T. N. Manoharan	Independent Director	Government Nominee Director	13	11	2	-	1	NA
Mr. S. B. Mainak	Independent Director	Government Nominee Director	13	12	1	-	-	NA

<sup>1</sup> Meetings were held on January 12, January 17, January 22 & 23, January 27, February 4&5, February 12, February 21, February 26, March 05, March 13, March 20, March 21 and March 27, 2009.

<sup>2</sup> Excludes private companies, foreign companies and companies registered under Sec 25 of the Companies Act 1956 and alternate Directorships.

<sup>3</sup> Represents Audit committee and Investor Grievances' committee in public limited companies.

<sup>4</sup> NA- Not applicable as the appointment of Government nominee Directors was post Annual General Meeting.

## Audit Committee

The Audit Committee was constituted with all Independent Directors.

The functions of Audit Committee include:

1. Oversight of the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of engagement and payment to statutory auditors for any other non-audit services rendered by the statutory auditors.
4. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
5. Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
6. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

## Composition and other details:

### I. April 01, 2008 to January 09, 2009

Name	Category	No. of meetings	
		Held	Attended
Prof. M. Rammohan Rao (Chairman till 29.12.2008)	Independent Director	5	4*
Dr. (Mrs.) Mangalam Srinivasan (Member till 25.12.2008)	Independent Director	5	3*
Mr. T. R. Prasad	Independent Director	5	5
Prof. V. S. Raju	Independent Director	5	5

\*Participated in the remaining meeting(s) through audio / video conference.



1. Meetings were held on April 21, July 18, September 01, October 17 and November 18, 2008
2. The meetings of the Audit Committee were attended by the Chief Financial Officer, Head of Internal Audit and Statutory Auditors as invitees.
3. Prof. M. Rammohan Rao, the Chairman of Audit Committee was present at the previous Annual General Meeting held on August 26, 2008.

II. January 17, 2009 to March 31, 2009

Name	Category	No. of meetings	
		Held	Attended
Mr. T. N. Manoharan	Independent Director	2	2
Mr. C. Achuthan	Independent Director	2	2
Mr. S. B. Mainak	Independent Director	2	2

Mr. T. N. Manoharan is the Chairman of the Audit Committee.

The Government nominated Board constituted the Audit Committee on January 17, 2009 and the Committee met on February 05, 2009 and March 20, 2009.

The attendance of Chief Financial Officer and Statutory Auditors in these meetings did not arise due to the vacancy in the respective offices.

### Compensation Committee

The Compensation committee was constituted with Independent Directors. The Compensation Committee evaluates compensation and benefits for Executive Directors and frames policies and systems for Associate Stock Option Plans.

#### Composition and other details:

I. April 01, 2008 to January 09, 2009

Name	Category	No. of meetings	
		Held	Attended
Dr. (Mrs.) Mangalam Srinivasan (Chairperson till 25.12.2008)	Independent Director	2	2
Mr. Vinod K Dham (Member till 28.12.2008)	Independent Director	2	1 <sup>1</sup>
Prof. M. Rammohan Rao (Member till 29.12.2008)	Independent Director	2	1 <sup>1</sup>
Prof. V. S. Raju	Independent Director	2	2

<sup>1</sup>Participated in the remaining meeting through audio / video conference.

Meetings were held on April 21 and July 17, 2008.

II. January 22, 2009 to March 31, 2009

The Government nominated Board constituted the Compensation Committee on January 22, 2009, with all the Directors as its members. No meetings were held during this period.

### Details of remuneration to Directors for the year 2008-09

Particulars	Rs.		
	B. Ramalinga Raju (Chairman till 09.01.2009)	B. Rama Raju (Managing Director till 09.01.2009)	Ram Mynampati (Whole-time Director till 09.01.2009)
Salary	1,350,000	1,260,000	21,068,062
Contribution to PF	162,000	151,200	0
Superannuation	138,387	129,161	0
Others	2,899,025	2,801,158	463,248
Sub-Total	4,549,412	4,341,519	21,531,310
Less: Amount Recoverable	2,542,251	2,345,158	19,209,998
Balance Paid	2,007,161	1,996,361	2,321,312

Note: As the Company has incurred losses in the current year, the actual remuneration paid to the Whole-time Directors is in excess of the amounts payable to them as minimum remuneration in accordance with the provisions of Schedule XIII of the Act and, hence, the excess amount is accounted as recoverable from the respective Directors who received it. The Company is proposing to initiate proceedings for recovery of the aforesaid excess remuneration from the respective Directors.



b) *Non-executive Directors*

				Rs.
S.no.	Name of Director	Commission	Sitting fees	Others
1	Dr. (Mrs.) Mangalam Srinivasan	1,200,000	90,000	Nil
2	Prof. Krishna G. Palepu	1,200,000	20,000	6,527,000*
3	Mr. Vinod K. Dham	1,200,000	30,000	Nil
4	Prof. M. Rammohan Rao	1,200,000	80,000	Nil
5	Mr. T. R. Prasad	1,200,000	100,000	Nil
6	Prof. V. S. Raju	1,200,000	120,000	Nil
Sub-Total		7,200,000	440,000	6,527,000*
Less: Amount Recoverable		7,200,000	-	-
Balance Paid		-	440,000	6,527,000*

\* represents management consultancy fee paid. However the Union of India has sought refund of the amount paid to Mr. Krishna G. Palepu to the Company. Refer note 8.1 (x) a. of Schedule 18 - Notes to Accounts.

Notes:

- The Company had paid Rs. 7.2 Million towards commission to Non-executive Directors during the financial year 2008-09. As the Company has incurred losses in the current year, the actual commission paid to the Non-executive Directors is in excess of the amounts payable to them in accordance with the provisions of the Act for the year 2008-09 and, hence, the excess amount is accounted as recoverable from the respective Directors who received it. In addition, Rs. 3,521,741 was accrued as Commission but was subsequently reversed due to inadequate profits. The Company is proposing to initiate proceedings for recovery of the aforesaid excess commission paid for the year 2008-09 from the respective Directors. For further details on remuneration to Directors refer note 8.1(i) and 21 of Schedule 18 - Notes to Accounts.
- The Government nominated Directors were not paid any remuneration. The Board decided that the members would not be paid any sitting fee for attending the meetings of the Board and Committees.
- No Stock Options were granted to the Directors during 2008 - 09.
- Details of options granted to a Whole-time Director in the earlier years and outstanding as at March 31, 2009 are:

Scheme	Date of grant	Last vesting date	Outstanding options	Grant price (Rs.)
ASOP ADS	June 14, 2001	June 15, 2005	16,000	235.39
ASOP ADS	February 07, 2003	April 01, 2006	27,658	244.75
ASOP ADS	January 22, 2004	April 01, 2008	60,000	588.61
ASOP ADS	July 22, 2004	July 22, 2005	200	430.68
ASOP ADS	January 20, 2005	April 01, 2008	185,572	480.05
ASOP ADS	April 21, 2005	October 01, 2008	206,680	492.63
ASOP RSU ADS	January 28, 2007	January 29, 2011	18,750	4.00

### Investors' Grievance Committee

The Investors' Grievance Committee focuses on shareholders' grievances and strengthening of investor relations, specifically looking into redressal of grievances pertaining to:

- 1) Transfer of shares
- 2) Dividends
- 3) Dematerialization of shares
- 4) Replacement of lost/stolen/mutilated share certificates
- 5) Non-receipt of rights/bonus/split share certificates
- 6) Other related issues

#### Composition and other details :

- I. April 01, 2008 to January 09, 2009

Name	Category	No. of meetings*	
		Held	Attended
Prof. V. S. Raju	Independent Director	1	1
Mr. T. R. Prasad	Independent Director	1	1
Mr. B. Rama Raju	Promoter and Executive Director	1	1

\*Meeting held on September 01, 2008.

Prof V.S. Raju was the chairman of the Investors' Grievance Committee.

II. January 22, 2009 to March 31, 2009

The Government nominated Board constituted the Investors' Grievance Committee on January 22, 2009, with all the Directors as its members. No meeting was held during this period.

**Others**

i) Name and designation of compliance officer: Mr. G. Jayaraman, Company Secretary

ii) Details of investor complaints during the year 2008-09:

Received	Resolved	Pending
116	116	0

iii) Members may contact the Secretarial Circle of the Company for their queries, if any, at: +91 40 3063 6363/3067 5022 and Fax: +91 40 2311 7011.

**Venue and time of the last three AGMs**

Date	Venue	Time	No. of special resolutions
August 26, 2008	Sri Sathya Sai Nigamagamam (Kalyana Mandapam), 8-3-987/2, Srinagar Colony, Hyderabad – 500 073	11.00 a.m.	One
August 30, 2007	Harihara Kalabhavan, MCH complex, S.P. Road, Secunderabad – 500 003	11.00 a.m.	None
August 21, 2006	Sri Sathya Sai Nigamagamam (Kalyana Mandapam), 8-3-987/2, Srinagar Colony, Hyderabad – 500 073	11.00 a.m.	Four

*There were no resolutions passed through postal ballot during the year 2008-09.*

**Disclosures**

There have been no materially significant related party transactions, i.e., transactions material in nature, with its promoters, the Directors or the management, their subsidiaries or related parties except those disclosed in the financial statements for the year ended March 31, 2009.

Related parties have been identified to the extent of the information available with the Company. However, there may be additional related parties whose relationship would not have been disclosed to the Company and, hence, not known to the Management.

On January 07, 2009, in a letter addressed to the then existing Board of Directors of the Company and copied to the Stock Exchanges (Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd) and the Chairman of the Securities and Exchange Board of India, the erstwhile Chairman of the Company, Mr. B.Ramalinga Raju admitted that the Company's balance sheet as at September 30, 2008 carried an inflated cash and bank balances, non-existent accrued interest, an understated liability and an overstated debtors position. As per the letter, the gap in the balance sheet has arisen purely on account of inflated profits over a period of last several years (Limited only to Satyam Standalone). Various regulators such as the Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO)/Registrar of Companies (ROC), Securities and Exchange Board of India (SEBI), Directorate of Enforcement (ED) etc., have initiated their investigation on various matters pertaining to the Company which are ongoing. The CBI has initiated legal proceedings before the Additional Chief Metropolitan Magistrate for Trial of Satyam Scam Cases, Hyderabad (ACMM) and has filed certain specific charge sheets against the erstwhile Chairman and others based on its findings. The SFIO has submitted its reports relating to various findings and has also filed cases before the Economic Offences Court, Hyderabad against the Company and others.

On September 17, 2009, the Company received a 'Wells Notice' from the Division, which was a notification advising the Company that the Division had tentatively concluded that it would recommend to the Commissioners of the SEC that it files a civil suit against the Company, alleging fraud and other violations, and seeking permanent injunctions and monetary relief. As of date, the SEC has not made a determination regarding any staff recommendation in this matter. The outcome of this matter is not determinable at this stage.

M/s Price Waterhouse, the erstwhile auditors of the Company communicated vide a letter dated January 13, 2009, that their audit reports issued on the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon. Further, in view of the financial irregularities identified, the statements for the said period furnished under clause 41 of listing agreement with Indian stock exchanges did not reflect the true position. In addition there was a violation of the ESOP Guidelines issued by SEBI in respect of Accounting and Disclosure requirements relating to ASOP-A for which the Company is in the process of seeking condonation (Refer Notes 8.2 and 10 of Schedule 18 - Notes to Accounts). Except for these, there has not been any non-compliance by the Company and no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

In addition, there have been certain regulatory non-compliances / breaches as identified in Note 8 of Schedule 18 - Notes to Accounts for which the Company is in the process of seeking condonation, wherever applicable.

Pursuant to sub-clause VII of clause 49 of the Listing Agreement, the Company confirms that it has complied with all the mandatory requirements prescribed. As regards non-mandatory requirements, the following are adopted:

1. Compensation Committee
2. Whistle Blower policy



The Company has adopted the Whistle Blower policy and affirms that no personnel have been denied access to the audit committee.

The Company has adopted Code of Conduct and Ethics Policy for the Board of Directors and Associates of the Company, which is available at [www.mahindrasatyam.com](http://www.mahindrasatyam.com).

In view of the extraordinary situation in the Company during the last quarter of financial year 2008-09, the Company could not obtain the annual affirmation on Code of Conduct policy from the Directors and the senior management. As such, the declaration of CEO did not contain affirmation of compliance as required in terms of Clause 49 D (ii).

## Means of communication

The official press releases of the Company are promptly sent through facsimile to the Stock Exchanges where the Company's shares are listed and released to wire services and the press for information of the public at large and also posted on the Company's website.

The audited quarterly and half-yearly financial statements viz., balance sheet, profit and loss account, including schedules and notes thereon, press releases, presentations and recordings of Investors call were posted on the Company's website.

However, in view of the communication dated January 07, 2009 addressed by the erstwhile Chairman and the statement of then Statutory Auditors M/s Price Waterhouse that the audited financial statements for their audit period should no longer be relied upon, the financial statements and the related postings were withdrawn from the Company's website.

The financial results for Quarters ended on December 31, 2008 and March 31, 2009 were not published as the Hon'ble CLB provided exemption from publication of financial results for the quarters ended December 31, 2008, March 31, 2009, June 30, 2009, September 30, 2009, December 31, 2009 and March 31, 2010.

## General Shareholders information

a) The AGM of the Company will be held on Tuesday, December 21, 2010 at 10.00 AM at Sri Sathya Sai Nigamagamam (Kalyana Mandapam), 8-3-987/2, Srinagar Colony, Hyderabad - 500 073.

b) Financial calendar for the year 2009-10:

Since this report is being published post financial year 2009-10, information on financial calendar is redundant.

c) Dates of book closure for AGM : December 20 and December 21, 2010 (both days inclusive)

d) Registered office : Mahindra Satyam Infocity,  
Unit - 12, Plot No. 35/36,  
Hi-tech City Layout, Survey No. 64,  
Madhapur, Hyderabad - 500 081, A.P.  
Phone: (91-40) 3063 6363/3067 5022  
Fax: (91-40) 2311 7011  
Web site: [www.mahindrasatyam.com](http://www.mahindrasatyam.com)  
Email: [investorservices@mahindrasatyam.com](mailto:investorservices@mahindrasatyam.com)

Note: Board of Directors in its meeting held on July 10, 2009 approved for shifting of the registered office from I Floor, Mayfair Centre, 1-8-303/36, S.P. Road, Secunderabad - 500 003 to Mahindra Satyam Infocity, Unit -12, Plot No. 35/36, Hi-tech City Layout, Survey No. 64, Madhapur, Hyderabad - 500 081, Andhra Pradesh, India, with effect from September 1, 2009.

e) Listing details:

Particulars	Stock Exchanges	Depositories	ISIN/CUSIP*
Equity Shares	1. Bombay Stock Exchange Ltd, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 2. The National Stock Exchange of India Limited, Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051	1. National Securities Depository Ltd. (NSDL) 2. Central Depository Services (India) Limited (CDSL)	INE275A01028
American Depository Shares (ADS)	**New York Stock Exchange, Inc. (NYSE) 20 Broad Street, New York, NY 10005.	Citibank N.A., New York	804098101
American Depository Shares (ADS)	NYSE Euronext Euronext Amsterdam N.V.#	Citibank N.A., New York	ISIN - US80408981016 Security Code : 617656

# Delisted effective 20.05.2009.

\* Committee on Uniform Securities Identification Procedures, (CUSIP) supplies unique nine-character identification, called a CUSIP number, for each class of security approved for trading in the U.S., to facilitate clearing and settlement. These numbers are used when any buy and sell orders are recorded.

\*\*The Board approved the proposal on September 24, 2010, to delist the ADSs voluntarily from NYSE and move the trading to Pink OTC Markets, USA.

f) Listing fee for the financial year 2009-10 has been paid to all the Indian stock exchanges, where the shares of the Company are listed and listing fee to NYSE Euronext at US & Amsterdam have been paid for the calendar year 2009.

- g) Stock Code: 1) BSE Code : 500376  
 2) NSE Code : SATYAMCOMP  
 3) Reuters Code : SATY.BO (BSE); SATY.NS (NSE)  
 4) Bloomberg : SCS IN  
 5) ADS Symbol (NYSE) : SAY

h) The monthly high and low stock quotations during the financial year 2008-09 and performance in comparison to broad based indices are given below.

i) Market Price and Indices data:

Month & Year	Price-BSE		SENSEX		Price-NSE		NIFTY		Price-ADS-NYSE		Dow Jones Index	
	High (Rs.)	Low (Rs.)	High	Low	High (Rs.)	Low (Rs.)	High	Low	High US\$	Low US\$	High	Low
Apr-08	499.50	390.65	17,480.74	15,297.96	498.80	391.00	5,230.75	4,628.75	26.66	22.21	13,052.91	12,208.42
May-08	544.00	464.90	17,735.70	16,196.02	533.00	435.35	5,298.85	4,801.90	29.84	24.85	13,191.49	12,397.56
Jun-08	541.90	431.25	16,632.72	13,405.54	542.00	431.60	4,908.80	4,021.70	24.26	24.52	12,652.81	11,226.34
Jul-08	493.00	363.10	15,130.09	12,514.02	489.00	360.00	4,539.45	3,790.20	26.24	20.50	11,820.21	10,731.96
Aug-08	425.95	371.00	15,579.78	14,002.43	426.50	371.00	4,649.85	4,201.85	24.34	20.93	11,933.55	11,144.59
Sep-08	438.50	270.10	15,107.01	12,153.55	440.00	268.25	4,558.00	3,715.05	23.37	14.56	11,831.29	10,266.76
Oct-08	325.00	220.00	13,203.86	7,697.39	324.65	213.55	4,000.50	2,252.75	16.94	11.00	11,022.06	7,773.71
Nov-08	319.00	218.60	10,945.41	8,316.39	339.70	218.60	3,240.55	2,502.90	16.45	10.80	9,711.46	7,392.27
Dec-08	251.00	114.65	10,188.54	8,467.43	251.70	114.55	3,110.45	2,570.70	12.99	5.05	9,151.61	8,072.47
Jan-09	188.70	11.50	10,469.72	8,631.60	188.70	6.30	3,147.20	2,661.65	9.46	0.78	9,175.19	7,856.86
Feb-09	61.00	39.30	9,724.87	8,619.22	60.90	38.70	2,969.75	2,677.55	2.04	1.30	8,376.56	6,952.06
Mar-09	53.00	34.00	10,127.09	8,047.17	52.90	34.80	3,123.35	2,539.45	1.85	1.29	7,969.00	6,440.08

ii) Monthly closing share price at BSE, NSE and NYSE vs. Monthly closing BSE Sensex, NSE Nifty and Dow Jones Index:

Month & year	BSE	Sensex	NSE	NIFTY	ADR	DJI
Apr-08	482.20	17,287.31	482.65	5,165.90	518.74	12,820.13
May-08	523.75	16,415.57	523.50	4,870.10	619.54	12,638.32
Jun-08	437.15	13,461.60	436.85	4,040.55	526.20	11,350.01
Jul-08	380.30	14,355.75	381.25	4,332.95	453.48	11,378.02
Aug-08	419.85	14,564.53	419.70	4,360.00	487.05	11,543.55
Sep-08	296.60	12,860.43	297.85	3,921.20	379.20	10,850.66
Oct-08	304.80	9,788.06	304.65	2,885.60	388.92	9,325.01
Nov-08	243.00	9,092.72	242.90	2,755.10	317.61	8,829.04
Dec-08	170.15	9,647.31	170.80	2,959.15	219.13	8,776.39
Jan-09	54.05	9,424.24	53.85	2,874.80	46.65	8,000.86
Feb-09	41.50	8,891.61	41.35	2,763.65	32.90	7,062.93
Mar-09	38.35	9,708.50	38.45	3,020.95	40.01	7,608.92

iii) Premium (%) on ADS at NYSE compared to share price quoted at NSE:

	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
a) ADS Price – US \$	25.68	29.10	24.52	21.34	22.26	16.15	15.73	12.73	9.04	1.90	1.30	1.57
b) ADS price-INR	1037.47	1239.08	1052.40	906.95	974.10	758.40	777.85	635.23	438.26	93.31	65.79	80.02
c) NSE Share Price (Rs.)	482.65	523.50	436.85	381.25	419.70	297.85	304.65	242.90	170.80	53.85	41.35	38.45
d) Premium– (Rs.) (b/2-c)	36.09	96.04	89.35	72.23	67.35	81.35	84.27	74.71	48.33	(7.20)	(8.45)	1.56
e) Premium %	7.48	18.35	20.45	18.94	16.05	27.31	27.66	30.76	28.30	(13.36)	(20.44)	4.06

Each ADS represents two equity shares. The ADS price has been converted by applying monthly closing rates from [www.oanda.com](http://www.oanda.com).



- i) The Company has in-house facilities for share transfers and redressal of related grievances, and in this regard, members may contact the Company Secretary, Satyam Computer Services Limited, Mahindra Satyam Infocity, Unit - 12, Plot No. 35/36, Hi-tech City layout, Survey No. 64, Madhapur, Hyderabad - 500 081, A.P. Phone: (91-40) 3063 6363/3067 5022, Fax: (91-40) 2311 7011, e-mail: [investorservices@mahindrasatyam.com](mailto:investorservices@mahindrasatyam.com).
- j) The Company's shares are covered under the compulsory dematerialization list and are transferable through the depository system. As per the internal quality standards, the Company has established processes for physical share transfers.
- k) As on March 31, 2009, the distribution of the Company's shareholding was as follows:

Category (No. of shares)		No. of shareholders		No. of shares held (Rs.2/-)		% to total no. of shares	
From	To	Physical	Demat	Physical	Demat	Physical	Demat
1	500	738	543,737	155,374	69,389,826	0.02	10.29
501	1,000	724	45,001	688,770	35,905,073	0.10	5.33
1,001	2,000	1,670	23,497	3,289,570	36,206,224	0.49	5.37
2,001	3,000	183	7,046	519,798	18,035,282	0.08	2.68
3,001	4,000	208	3,534	818,133	12,779,829	0.12	1.90
4,001	5,000	12	2,219	55,900	10,385,819	0.01	1.54
5,001	10,000	71	3,541	512,690	25,590,519	0.08	3.80
10,001 & above		29	2,521	701,700	371,016,215	0.10	55.06
ADS		1	1	67,912	87,776,158	0.01	13.02
<b>Total</b>		<b>3,636</b>	<b>631,097</b>	<b>6,809,847</b>	<b>667,084,945</b>	<b>1.01</b>	<b>98.99</b>
<b>Grand Total</b>		<b>634,733</b>		<b>673,894,792</b>		<b>100.00</b>	

- l) Dematerialization of shares: The Company has the necessary infrastructure in-house for dematerialization of shares. As per the defined norms for dematerialization process, shares received for dematerialization are generally confirmed within a period of three working days from date of receipt, if the documents are clear in all aspects. As on March 31, 2009, 98.99 percent of outstanding shares of the Company are held in electronic form.
- m) The Company has earmarked 1,300,000 equity shares of Rs.10/- each fully paid-up under ASOP-A administered through Satyam Associate Trust in 1998-99. The warrants outstanding as at March 31, 2009 are 10,815.  
The Company has earmarked 58,146,872 equity shares under the Associate Stock Option Plan (ASOP) – B, 3,456,383 ADSs under ASOP–ADS and 13,000,000 equity shares under ASOP-RSUs and ASOP – RSUs (ADS). As on March 31, 2009, options outstanding under ASOP–B 12,062,094, ASOP–ADS 1,195,642, ASOP-RSUs 2,767,973 and ASOP – RSUs (ADS) 495,175. The vesting period and exercise period for the stock options shall be determined by the Compensation Committee, subject to the minimum vesting period being one year.
- n) The addresses of global offices of the Company are given elsewhere in this report.
- o) Address for correspondence:  
i) Satyam Computer Services Limited, Mahindra Satyam Infocity, Unit - 12, Plot No. 35/36, Hi-tech City layout, Survey No. 64, Madhapur, Hyderabad - 500 081, A.P. Phone: (91-40) 3063 6363/3067 5022, Fax: (91-40) 2311 7011, e-mail: [investorservices@mahindrasatyam.com](mailto:investorservices@mahindrasatyam.com)
- p) Other useful information to shareholders:  
i) Pursuant to provisions of Section 205A of the Companies Act, 1956, the dividend declared by the Company which remains unclaimed for a period of seven years, shall be transferred by the Company to Investor Education & Protection Fund (IEPF) established by the Central Government under section 205C of the said Act.  
ii) The dividend for the financial years up to 2002-03 which remained unclaimed have been transferred by the Company to IEPF.  
iii) The due dates for transfer of unclaimed dividends to IEPF, pertaining to different financial years are given below. Members, who have not claimed the dividend for these periods are requested to lodge their claim with the Company, as no claim shall be entertained for the unclaimed dividends once transferred to IEPF.

Financial Year	Type of dividend	Book closure / Record date	Due date for transfer to IEPF
2003-2004	Interim	12.11.2003	29.11.2010
2003-2004	Final	19.07.2004 - 23.07.2004	29.08.2011
2004-2005	Interim	04.11.2004	25.11.2011
2004-2005	Final	18.07.2005 - 22.07.2005	27.08.2012
2005-2006	Interim	04.11.2005	24.11.2012
2005-2006	Final	16.08.2006 - 21.08.2006	26.09.2013
2006-2007	Interim	10.11.2006	25.11.2013
2006-2007	Final	27.08.2007 - 30.08.2007	05.10.2014
2007-2008	Interim	08.11.2007	28.11.2014
2007-2008	Final	21.08.2008 - 26.08.2008	01.10.2015
2008-2009	Interim	01.11.2008	22.11.2015

- iv) To prevent fraudulent encashment of dividend warrants, members are requested to provide their bank account details (if not provided earlier) to the Company (if shares are held in physical form) or to Depository Participants (DPs) (if shares are held in electronic form), as the case may be, for printing of the same on their dividend warrants.
- v) Members holding shares in electronic form are advised that in terms of the byelaws of NSDL & CDSL, their bank account details, as furnished to the DP, will be printed on their dividend warrants. The Company will not entertain requests for change of such bank details printed on their dividend warrants.
- vi) Shares received for physical transfer are generally registered within a period of three working days from the date of receipt, if the documents are clear in all respects. In case no response is received from the Company within 15 days of lodgment of transfer request, the transferee may write to the Company with full details so that necessary action could be taken to safeguard the interest of the concerned against any possible loss/interception during postal transit.
- vii) Members holding shares in physical form are requested to notify to the Company, any change in their registered address and bank account details promptly by written request under the signatures of sole/first joint holder. Members holding shares in electronic form are requested to send their instructions regarding change of name, change of address, bank details, nomination, power of attorney, etc., directly to their Depository Participant (DP) as the same are maintained by them.
- viii) Non-resident members are advised to immediately notify to the Company or to the DPs as the case may be:
  - change in their residential status on return to India for permanent settlement;
  - particulars of their NRE bank account with a bank in India, if not furnished earlier;
- ix) In case of loss/misplacement of shares, a complaint shall be lodged with the police station, and intimation to this effect shall be sent to the Company along with original or certified copy of FIR/acknowledgment of the complaint.
- x) For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. Wherever applicable, the registration number of the power of attorney should also be quoted in the transfer deed at the appropriate place.
- xi) Equity shares of the Company are under compulsory demat trading by all investors. Considering the advantages of scrip-less trading, members are encouraged to consider dematerialization of their shareholding.
- xii) Members are requested to quote their folio/DP and client ID nos., as the case may be, in all correspondence with the Company. All correspondences regarding shares of the Company should be addressed to Secretarial Circle of the Company at the Registered Office at, Mahindra Satyam Infocity, Unit - 12, Plot No. 35/36, Hi-tech City layout, Survey No. 64, Madhapur, Hyderabad - 500 081, A.P. Phone: (91-40) 3063 6363/3067 5022, Fax: (91-40) 2311 7011, e-mail: [investorservices@mahindrasatyam.com](mailto:investorservices@mahindrasatyam.com) and not to the address of the erstwhile registrars and transfer agents or any other offices of the Company.
- xiii) Members who have multiple folios in identical name(s) or holding more than one share certificate in the same name under different ledger folio(s) are requested to apply for consolidation of such folio(s) and send the relevant share certificates to the Company.
- xiv) Section 109A of the Companies Act, 1956 extends nomination facility to individuals holding shares in physical form in companies. Members, in particular those holding shares in single name may avail of this facility by furnishing the particulars of their nominations in the prescribed nomination form.
- xv) Members are welcome to give us their valuable suggestions for improvement of investor services.

## **Practicing Company Secretary Certificate regarding compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement**

To the Members of  
**Satyam Computer Services Limited**

We have examined the compliance of conditions of Corporate Governance by Satyam Computer Services Limited ('the Company'), for the year ended March 31, 2009, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Hyderabad  
Date : September 29, 2010

Savita Jyoti  
Savita Jyoti Associates  
Practicing Company Secretary  
Certificate of Practice No. 1796





## Corporate Social Responsibility

Satyam Foundation, Satyam's CSR arm believes in engaging with the problem and finding total solutions rather than cheque-book charity, using the Foundation's core strengths – the power of people, technology, innovation and leadership - which are also Satyam's core competencies as change agents to bring about enabling transformation for the deprived masses. (Examples - 108 EMRI/ 104 HMRI as emergency and non emergency Health solutions).

The Foundation has 8 Chapters located at Hyderabad, Pune, Bangalore, Bhubaneswar, Chennai, Visakhapatnam, Mumbai and Gurgaon. Chapters were opened in the US, UK, Malaysia, South Africa and Australia. Volunteering efforts commenced in the US and Malaysia.

During 2008-09 the core programs that the Foundation focuses on were restructured and classified into four major groups:

1. Learning to Livelihood: Education and Livelihood (organized and unorganized)
2. Social and Preventive Health: Health and HIV
3. Vulnerable Groups: Street Children, empowering Persons with Disability and Child Beggars Rehabilitation
4. Environment: Corporate and Community interventions
5. Disaster Management (Need Based)

Core values:

- Involving People
- Applying Knowledge
- Making things happen

Key Differentiators:

- Innovation
- Technology
- Project Management
- Volunteering

A snapshot of achievements:

- The largest corporate volunteering program in the country with 16,000 registered volunteers
- 570 Magnificent Seven (M-7) teams
- Crossed more than 850,000 volunteer hours since inception
- Largest corporate Blood Donor to Red Cross across four cities- Hyderabad, Chennai, Bhubaneswar and Bangalore. Awarded the Blood Shield by Red Cross.
- Supported 650 Thalassaemic children with fresh blood whenever required
- Winner of Business World FICCI-SEDF 2006 award for 'Best Corporate Citizen'
- Winner of TERI Corporate Award 2006-2007 for CSR activities
- Obtained ISO 9001:2000 Certification

### Technological triumph

**Health Management and Research Institute (HMRI)**, conceptualized as a Non emergency Health Solution, was incubated in Satyam Foundation and spun off as a Public Private Partnership with the Govt. of Andhra Pradesh during 2007-08. HMRI's digital Health platform with state of art technology focuses on two main services: 104 advices and

104 Mobile (van). Many more services are slated to be added to the platform such as Blood line, Tele referral and disease surveillance.

104 advice is a 24x7 free health information and medical advice service. 104 received 55,000 calls per day and surpassed NHS (UK) call volumes to become the world's largest health helpline. HMRI had 8.3 million registered users from the time the service was launched.

104 Mobile: A Once-a-month fixed day service at every rural habitation, the Mobile Van has a capacity to cover approx. 3000 population in 8 Hours. Each mobile van is equipped with the required equipment and supplies such as Diagnostic equipment (BP apparatus etc) Registration equipment (laptop, camera, biometric scanner) Furniture, Tent/Canopy, and LCD TV for screening IEC material, Drugs & medication, etc. A total of 87 vans are operating in eight districts of Andhra Pradesh.

### Key impacts during 2008-09

#### Volunteering

*Satyam has a "fellowship commitment measure" for volunteering by its associates, where the target is that 10% of Satyam associates spend at least 10% of their free personal time in CSR activities.*

16,000 Satyam associates registered as volunteers and formed 570 M7 teams, clocking a cumulative total of more than 850,000 volunteer hours, since inception. This includes Family Volunteers, Senior Volunteers, Brand Ambassadors for Social Cause, Satyam Volunteers' Participation in Customers' CSR/CR Activities, participation of Customers' Volunteers in Satyam Foundation Activities. During 08-09, 6,732 volunteers contributed 366,761 hours of volunteering across chapters, including international chapters.

#### Learning to Livelihood: Education

During 2008-09, Satyam Foundation adopted 219 Government Schools, Corporation Schools in Hyderabad, Bangalore, Chennai, Pune and Bhubaneswar, impacting approximately 26,716 school children. 72 M7 (Magnificent 7) teams across chapters mentor Government School children during weekends. These volunteers conduct notebook distribution drives; take computer classes for students, teachers and headmasters. They teach English, Science and Math, take up awareness campaigns on environmental issues, health and hygiene, and team building exercises', career guidance. They conduct quizzes on General Knowledge, impart awareness on Child Rights and celebrate important days like Independence Day, Teachers' Day and Children's' Day. Three KidSmart centers were set up in the twin cities of Hyderabad and Secunderabad and are operational. These KidSmart centers benefit 14 neighboring schools and 1,300 pre primary Government school children. This year 40,410 notebooks were distributed to 6,500 children in 150 Government schools across chapters. Similarly, 250 de bonded computers were donated to more than 200 schools. A pilot Program on spoken English was taken up in 135 Government schools in Hyderabad for 3,759 class 6 students. In Pune, volunteers completed 3 years of consistent volunteering at one of the Night Schools. M7 teams were involved in conducting English Grammar classes for students of class 7 to 10 benefitting more than 100 students. Two English Grammar camps were also conducted in two corporation schools in Pune for 95 children.

#### Livelihood

Satyam Foundation was appointed as the state level Nodal Agency for generating 10,000 livelihoods by the Rajiv Udyogasri Society launched by the Govt. of Andhra Pradesh with an objective of generating approximately one million jobs in two years. Under the Govt. Projects (Rajiv Udyogasri & Karnataka Vocational Training Skill Development Center) the Foundation imparts trainings to the unemployed youth

in various skills like Office Automation, Desktop Publishing, Web Designing, Hardware & Networking, Call Centre Training (Voice & Non-voice), Retail Management, Hotel Management and other customized trainings and supports them with Placements.

There are two components under the Livelihoods initiative: Organized and unorganized sectors. Under the organized sector, 15 IT schools were established by Satyam Foundation (9 IT schools in Hyderabad, 2 each in Chennai and Pune, 1 in Bangalore and 1 in Bhubaneswar). In the IT schools run by the Foundation, selected candidates were trained in MS-Office, Communicative English, and English Typing & Soft skills for a period of 2 months with assessment tests every fortnight. After successful completion of the training, candidates were extended placement support. During 2008-09, a total of 3,197 candidates were trained and 1,623 candidates were placed. Under the unorganized sector, 230 persons were trained in Jute bag making under the community Programs and 90 women in difficult situations were trained in various crafts under the 'support for crafts'.

'Civic Services Help Line' a new initiative by Satyam Foundation Livelihoods Forum was launched in the month of June 2008 as a pilot in Hyderabad. There is a huge demand and shortage of skilled workforce in the services sector. The initiative of Satyam Foundation facilitates to fill this gap between the skilled domestic workforce and the customers. Data about the workforce was collected in the fields of Automobiles, Carpentry, Food, Veterinary, Sports, Legal, Electrical and Construction. A total of 13,503 data revalidations and 2,172 registrations were completed.

## **Preventive and Social Health**

### **Health**

During 2008-09, more than 41,818 beneficiaries received free health care and medicines in the 3 Urban Health Posts adopted by the Foundation. 650 Thalassaemia children are supported with fresh blood whenever required. 35 Blood donation camps were conducted across all chapters and 2,894 units of blood were donated by Satyam associates to The Red Cross Society of India. The Foundation adopted the Ramdev Memorial Hospital in Hyderabad to provide free medical assistance to the underprivileged communities surrounding the hospital. The hospital vaccinated 1,452 children against polio and 270 patients were treated for Hypertension and skin diseases. 2,323 patients were covered in the health camps conducted in Bhubaneswar, Bangalore and Chennai chapters. School children, flood victims (in Orissa) the elderly and women from slums were given medical aid in these camps.

### **HIV/AIDS**

There are three major service offerings under the HIV initiative. 1. IEC internal (Information Education and Communication) focusing on awareness on HIV within Satyam ecosystem (associates, housekeeping staff, security, vendors etc) 2. IEC external focuses on awareness to college students and general community 3. Care and support focuses on health and livelihoods interventions for persons living with HIV, including children. During 08-09, 8,400 associates, 70 Housekeeping and security staff, 130 Satyam Foundation associates were sensitized on HIV issues. "My Future My Choice" – is an awareness program designed to orient students from professional courses in behavioral changes and life skills. HIV education was taken up in 244 colleges impacting more than 36,600 students across four cities of Hyderabad, Bangalore, Pune and Bhubaneswar. The program was implemented in partnership with Jawaharlal Nehru Technological University, Manipal University, Orissa State AIDS Control Society, Andhra Pradesh State AIDS Control Society, Wake-up Pune, Network of Positive People and Population Services International. 244 Red Ribbon Clubs were formed in these colleges to further the cause. 1,600 professional drivers were also sensitized on HIV issues.

Under the Care and Support initiative, numerous programs were taken up for People Living with HIV and Children affected and infected. The Foundation reached out to 2,385 Orphan Vulnerable Children, including providing financial support to 56 children for their education, by 56 sponsors from Satyam. Similarly 264 vulnerable persons were supported with health checkups, and given training in lace making, jute items to enhance their income. Satyam volunteers regularly visit Orphan Homes, housing HIV affected and infected children during weekends to counsel and mentor them, facilitate health programs, conduct events, celebrate important days, conduct outings, donate food, clothes, toys and games, etc.

International events like the World AIDS Day, Candle Light Memorial Day, and International Women's Day are observed across chapters with various activities, like distribution of Red Ribbons, talk shows, seminars, webinars, signature drives, street plays, rallies and marathons. A youth website Chillguru.com to provide information and answer queries was launched. Two unique initiatives of the Foundation is forming the 'Hyderabad Hub' and 'Wake up Pune', a consortium of NGOs/INGOs/CSRs to jointly take up activities on HIV related issues.

## **Vulnerable Groups**

### **Street Children**

More than 3,300 children in 16 shelters/Transit homes/Observation homes (both boys and girls) /orphanages/de-addiction camps across all our chapters were catered to, during 2008-09. In addition 73 children were given skill training, 60 wardens of Homes were also given skill training. Nutrition support for 100 orphans was taken up in Hyderabad. Satyam volunteers regularly visit the orphanages and Homes on weekends to mentor the children with compassion and counsel them. They teach them to read, sing, act, draw, play games and take them on motivational trips.

### **Empowering Persons with Disability**

An initiative started in 2007; the program aims to empower Persons with Disability through employment and self employment to help mainstream them into society. A Need Based Assessment was taken up; the gaps identified and customized training given to PWDs (Persons with Disability) before facilitating placements. Approximately 40 PWDs were given Livelihoods support both through jobs and setting up of food kiosks and sweet corn outlets. On December 3, 2008, observed as International Day of Persons With Disability, a HR policy was released in Satyam and its subsidiaries by the then Chief Minister of Andhra Pradesh Mr. Y S Rajashekhar Reddy. The Foundation was the main partner in organizing the Abilities Mela, an annual event which provided a platform for 64 NGO's, Corporates and other stakeholders working in the field of Disability. During the year, 21 computers were donated to two special schools in Bangalore. Voice Assisted Business Process Management software and a content Management System software were developed by Satyam volunteers for two Delhi based NGOs: Nav Prerna and Masoom Duniya. Mentoring by Satyam volunteers, observing Helen Keller's Birthday, International Day of Persons With disability, donation drives etc are also taken up.

### **Child Beggars Rehabilitation Project**

This project was launched on 20th November 2008, as a Joint initiative between National Child Labor Project Hyderabad and Satyam Foundation. Under this project, a total of 453 child beggars were rescued ( 326 boys and 123 girls), out of which 308 boys and 118 girls were repatriated, 18 boys and 4 girls were admitted to Residential Bridge Courses and 4 boys and 1 girl were sent to a transit Home. A Basic Needs Campaign was also conducted for 75 homeless persons and a health camp for 166 (children, adolescents, adults, PWDs) during December 2008.



### **Environment – Corporate Interventions**

Waste Management, e-waste management, support for Business Development, Green cover, Traffic and Transportation and Pollution were some of the Service Offerings under the Environment Program. During 2008-09, 77 tons of waste paper, 62 tons of e-Waste was collected and sent for recycling. The Foundation also supported in preparing PPTs relevant to CSR and Environment related issues for 45 RFP's from prospective Satyam clients as part of Business Development Support. 16 awareness campaigns on Environment were conducted within Satyam locations.

### **Environment – Community Interventions**

In order to improve the green cover, Satyam Volunteers planted 26,125 saplings, promoting indigenous avenue trees and fruit trees during 2008-09. 1,600 professional drivers were trained on Defensive Driving Behavior. School children were sensitized on environmental issues and Eco clubs were formed in schools. Other initiatives include promoting Eco-friendly Ganeshas for Ganesh festival, Noise-free crackers for Diwali, use of natural colors for Holi, both in Satyam locations and in outside communities. Sale of Ganesh idols provided livelihood support for 28 Persons with Disabilities.

### **International Chapters**

Volunteering being a key differentiator plays an important role in all the Foundation's initiatives. The Foundation always encourages Satyam Volunteers Participation in Satyam customer's CSR activities and vice versa. 2008-2009 saw a spurt of volunteering by Satyam Volunteers in the US and Malaysia contributing 470 volunteering hours.

AIDS Walk – USA: Chevron participated in the AIDS Walk - San Francisco 2008 in which Several Satyam associates contributed donations as well as participated in the AIDS Walk on July 20th 2008. Satyam associates volunteered to sign up along with Chevron employees and contractors at the event.

The Satyam Nissan SRU together with the local Nissan teams joined Habitat for Humanity Initiative during October, 2008, to build a new home for Angela Knight, in Nashville, Tennessee. The Satyam Nissan SRU, Nashville, Tennessee, together with the local Nissan manufacturing teams came together to offer needy children sacks full of items for Christmas. In a similar initiative, Satyam associates in Atlanta contributed 64 hours of work and \$3000 from Satyam corporate for Atlanta Habitat for Humanity to build affordable, green, quality homes for the needy. In Malaysia, Satyam associates invited 25 special children from Handicapped and disabled children's association of Klang Selangor. A charity drive was held and a sum of RM.1,600.00 was handed over to the orphanage apart from goodie bags filled with basic necessities such as stationeries, mugs etc to each child.

### **Disaster Management (Need Based)**

During August/September 2008, floods ravaged the states of Bihar and Orissa affecting thousands of people. Satyam Foundation's Chapters in Bhubaneswar and Bangalore facilitated in mobilizing contributions and relief material. Satyam volunteers contributed cash, with which food, clothes, water and medicines were procured and distributed in the affected areas of Kankas Block of Puri District by Satyam associates and Foundation associates. A Health Camp was also conducted for 300 flood affected people. Bombardier India Centre, Cater Pillar Team and Ericson Team also contributed cash to our Chapter in Bengaluru for the flood affected in Orissa and Bihar. Apart from cash, food items, clothes, medicines were also collected and sent to Orissa and Bihar.

### **Synergies for Success – CSR Meet**

During November 2008, a one day meet was organized by Satyam Foundation and NASSCOM Foundation 'CSR Synergies among IT/ITES 'in Visakhapatnam. The objective of the meet was "to bridge the gap between the NGO sector and IT companies, and the effective use of Information and Communication Technology for the betterment of Vizag city". 31 NGOs and 49 corporates participated in the meet.

# Management Discussion and Analysis

## Industry Structure, development and Outlook

### Overview

Satyam Computer Services Limited (hereinafter referred to as 'SCSL' or 'the Company') is a leading information, communications and technology (ICT) Company providing top-class business consulting, information technology and communication services. Leveraging deep industry and functional expertise, leading technology practices and a global delivery model, we enable companies to achieve their business goals and transformation objectives.

We are powered by a pool of talented Information Technology (IT) and consulting professionals across enterprise solutions, client relationship management, business intelligence, business process quality, operations management, engineering solutions, digital convergence, product lifecycle management and infrastructure management services, among other capabilities. Our development and delivery centers in the US, Canada, Brazil, the UK, Hungary, Egypt, UAE, India, China, Malaysia, Singapore and Australia serve numerous clients, including several Fortune 500 companies.

### Global IT services overview

Global technology products and services spend grew by 5.6 percent to USD 1.6 Trillion in 2008 as per NASSCOM estimates. Outsourcing emerged as a key driver within IT-BPO, with emerging markets increasing their share of IT spends. There has been an increased adoption of global sourcing.

The Company believes that the growth in IT services spending is driven by the following factors:

- Increasing alignment of Business and IT
- Cost improvement through IT

### Indian IT Services Industry Overview

According to the NASSCOM Strategic Review 2009, the Indian IT-BPO industry is estimated to aggregate revenues of USD 71.7 Billion in Financial Year (FY) 2009. The export revenue generated by the Indian IT-BPO industry is estimated to gross USD 47.3 Billion in FY 2009. US remains, the largest export market for Indian IT-BPO services. On the domestic front, IT-BPO revenues are estimated to grow at 20 percent to Rs. 1,113 Billion in FY 2009. The future growth in the domestic market is expected to be driven by the increased adoption of IT by the Small and Medium Business segment.

The key factors that would contribute to the growth of Indian IT-BPO are:

#### Transformation Enablers

- IT industry players have to become transformation partners to their clients by providing innovative and transformative solutions for which mindshare and resources would have to be directed going forward.

#### Customer Intimacy

- With the growing importance of outsourcing contracts, Indian IT-BPO players need to look beyond the traditional technology managers and build long term relationships with customer's business senior management to foster a long term mutually beneficial relationship.

## Opportunities and Threats

The global economic downturn poses a demand side risk on IT services consumption. At the same time, there is also the opportunity that comes up from a greater need felt by enterprises to cut costs, where we as an offshore based IT services player can offer considerable value. Your Company has been through unprecedented events during the financial year following which it was being administered by a Board constituted by the Government of India. Venturbay Consultants Private Limited, a part of the Mahindra Group (Strategic Investor) acquired a controlling stake in the Company through a competitive bidding process.

Risks, uncertainties and possible adverse consequences, including those listed out below, may have a material impact on the Company.

- On January 7, 2009 in a communication ('the letter') addressed to the then existing Board of Directors of the Company and copied to the Chairman of SEBI and Stock Exchanges, the then Chairman of the Company, admitted that the Company's Balance Sheet as at September 30, 2008 carried inflated cash and bank balances, non-existent accrued interest, an understated liability and overstated debtors position. The details of the financial irregularities are described in detail in Note 3 of Schedule 18 to the Standalone Financial Statements. This has led to various risks, uncertainties and possible adverse consequences, including due to:
  - a. Investigations on the Company being conducted by various law enforcement agencies in India and abroad.
  - b. Class Action suits faced by the Company in connection with the US Securities Exchange Act, 1934.
  - c. Certain regulatory non compliances / breaches. (Refer Note 8 of Schedule 18 to the Standalone Financial Statements)
  - d. Communication from M/s. Price Waterhouse that their audit reports and opinions for the audit period specified under Note 3.7(ii) of Schedule 18 to the Standalone Financial Statements are no longer to be relied upon.
  - e. Seizure of documents by CBI / other authorities as specified in more detail in Note 3.8 of Schedule 18 to the Standalone Financial Statements.
- Commitments and Contingencies faced by the Company are outlined in more detail in Note 6 of Schedule 18 to the Standalone Financial Statements.
- Lapses including delays in the financial reporting process set out in more detail in Note 9 of Schedule 18 to the Standalone Financial Statements, including specific risks and uncertainties highlighted under Note 9.5 of the said Schedule.
- Acquisition / Integration related risks between the Company, its largest shareholder and its subsidiaries.
- The Company's operations are spread across many countries and absence of a robust compliance mechanism could expose the Company to the risk of non compliances.
- Challenges in upgrading the IT applications and systems due to various factors, including lack of proper source code documentation could affect other linked applications also and could materially impact the Company. Absence of a robust disaster recovery server and longer recovery times for various key applications could have a material impact on the Company.
- Challenges with regard to attraction and retention of talent / skills which is important for the success of the Company.





- The Company may face challenges with respect to its customers, which could have a material impact, including due to:
  - a. Customer retention given the competitive market conditions with attendant pressures on price and margins.
  - b. Reduction in IT spend and consolidation of vendors by large customers.
  - c. Some of the Company's contracts having benchmarking as well as other provisions, including on liquidated damages.
  - d. Failure to comply with contractual stipulations regarding non-disclosure of information.
  - e. Delays in completion of fixed-price, fixed-timeframe contracts.
- Employee compensation pressures in India and the hiring of employees outside India may reduce the Company's margins.
- The Company's revenues are significantly dependent on customers primarily located in the U.S. and Europe, as well as in certain sectors. An economic slowdown or other factors, including impact of adverse legislations in these countries or sectors would affect the Company. Legislation in certain countries in which we operate, including United States, may restrict companies in those countries from outsourcing work to us.
- Currency fluctuations, including strengthening of the rupee against the major global currencies can adversely affect revenues and margins.
- Reduction or withdrawal of tax benefits and other incentives / subsidies provided by the Government of India and/or by other countries where the Company operates could materially increase its tax outgo. The Company operates in jurisdictions that impose transfer pricing and other tax-related regulations on it and any failure to comply could materially and adversely affect its profitability.
- *Force majeure* events including terrorist attacks, war, regional conflicts, earthquake, floods, disruptions in telecommunication systems and virus attacks, etc could adversely affect the Company's business, results of operations and financial condition.

### Internal Control Systems and their Adequacy

Subsequent to the letter by the erstwhile Chairman and change in control of the Management of the Company, the current Management evaluated the effectiveness of the Company's internal control over financial reporting and identified several deficiencies. Pursuant to such evaluation, the Management has concluded that as at March 31, 2009, the Company's internal control over financial reporting was not effective at a reasonable assurance level which is fully described in Note 9.1 of Schedule 18 to the Standalone Financial Statements.

M/s. Venturbay Consultants Private Limited ("Venturbay") became the successful bidder of the global competitive bidding process initiated/concluded under the supervision of former Chief Justice of India, Shri S.P. Bharucha. Shri S.P. Bharucha has also given in writing to Honourable CLB that the process of selection was fair, transparent and open as required.

The current Management, post the acquisition of shares by Venturbay, for the purpose of ensuring appropriate controls over the financial reporting process and the preparation of the financial statements, has implemented specific procedures like manual reconciliations between the various sub-systems/sub-ledgers and the general ledger, requests for various balance confirmations as part of the year end closure process, confirmation of the department wise financial details by the business leaders, preparation and review of proper bank reconciliation statements, review of the revenue recognition policies and procedures, preparation and review of schedules for key account balances,

implementing proper approval mechanisms, closer monitoring of the financial closure process etc.

Based on the assessment of the above and the information available with the Management at this stage and the corrective actions taken, the Management believes that these financial statements, read with the notes thereon, do not contain any material misstatements/omissions.

## Financial Performance

### Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The Consolidated financial statements have been prepared in compliance with the Accounting Standard AS 21 and AS 27 prescribed by the Companies (Accounting Standard), Rules, 2006 (as amended).

The discussion on financial performance in the Management Discussion and Analysis (MD & A) relate to the Standalone Financials of SCSL.

As stated above, the Financial Statements of the Company are adjusted for the prior period items arising from the past financial irregularities. These financial irregularities were substantial in amount, perpetrated across multiple accounting periods and affecting many areas including *inter alia* revenue, foreign exchange gains, interest and other expenses with respect to the profit and loss account. It also affected debtors, cash and bank, other current assets and reserves and surplus with respect to the Balance Sheet.

The adjustments resulting from financial irregularities and errors that relate to periods prior to April 1, 2008 have been recorded in the Profit and Loss Account as prior period adjustments. This disclosure is pursuant to the order dated October 16, 2009 of the Honorable Company Law Board and is also in accordance with Accounting Standard-5 "Net Profit or loss for the Period, Prior Period Items and changes in Accounting Policies".

The former statutory auditors vide their letter dated January 13, 2009 to the Board of Directors have said that their report and opinions in relation to the Financial Statements of the Company from the quarter ended June 30, 2000 until quarter ended September 30, 2008 should no longer be relied upon. The numbers for March 31, 2008 are as per published numbers as reported by the former statutory auditors vide their Audit Report dated April 21, 2008 and as adopted by the shareholders. Information relating to the previous year has been provided only to comply with statutory requirements and the same cannot be used for any comparison purposes or otherwise in view of the reasons mentioned above and in Note 3 and Note 39 of Schedule 18 to the Standalone Financial Statements.

### Share Capital

The Authorized share capital of the Company was increased from Rs. 1,600 Million to Rs. 2,800 Million at the Board of Directors' meeting held on February 21, 2009, to enable issue of shares to the prospective strategic investor.

The paid-up share capital stands at Rs. 1,348 Million as on March 31, 2009. An amount of Rs. 7 Million has been added during the year on account of exercise of options by employees under various Associate Stock Option Schemes (ASOP).

### Reserves and Surplus

Securities premium account

The addition to the securities premium account of Rs. 975 Million during the year is primarily due to the premium received on exercise of options under various stock option plans and the amount transferred from the Stock Options Outstanding Account.

#### General Reserve

The general reserve balance of Rs. 6,337 Million available at the beginning of the year was adjusted fully against the debit Balance in the Profit and Loss account as at March 31, 2009.

#### ASOP

The balance of ASOP as at March 31, 2009 is Rs. 1,402 Million. The balance represents deferred stock compensation cost of options granted to employees.

#### Profit and Loss account

The Loss before Interest, Depreciation, Prior Period Adjustments and Tax for the year is Rs. 12,031 Million. The interest and depreciation for the year are Rs. 390 Million and Rs. 2,972 Million respectively, resulting in Loss before Prior Period Adjustments and Tax of Rs. 15,393 Million. After adjusting Prior Period Adjustments (Refer Note 3.4 of Schedule 18 to the Standalone Financial Statements) of Rs. 62,428 Million, the Loss before Tax is Rs. 77,821 Million. After adjusting tax expense of Rs. 1,531 Million, the Net Loss for the Year is Rs. 79,352 Million.

The Net loss for the year of Rs. 79,352 Million is adjusted against the accumulated credit balance lying in General Reserve of Rs. 6,337 Million, accumulated credit balance in profit and loss account of Rs. 51,177 Million and interim and residual dividend (including the tax thereon) of Rs. 796 Million resulting in debit balance in Profit and Loss account of Rs. 22,634 Million.

#### Secured Loans

The secured loan balance as at March 31, 2009 is Rs. 6,410 Million. This primarily comprises of Rupee Term loan amounting to Rs. 3,690 Million, Foreign Currency Packing Credit loan amounting to Rs. 1,019 Million for working capital requirements and Lease Obligation to others in relation to Fixed Assets under a Finance Lease arrangement for furniture, fixtures and interiors of Rs. 1,382 Million.

#### Amounts Pending Investigation Suspense Account (Net)

The erstwhile Chairman in his letter dated January 7, 2009, stated that the Balance Sheet as of September 30, 2008 carried an understated liability of Rs. 12,304 Million on account of funds arranged by him. On January 8, 2009, the Company received letters from thirty seven companies requesting confirmation by way of acknowledgement of the alleged amounts referred to as 'alleged advances'. The Company has replied to the legal notices stating that the claims are legally untenable. The Directorate of Enforcement (ED) is investigating the matter under the Prevention of Money Laundering Act, 2002 and directed the Company to furnish details with regard to the alleged advances and has further directed the Company not to return the alleged advances until further instructions from the ED. As of March 31, 2009, the amount of alleged advances has been presented separately under 'Amounts Pending Investigation Suspense Account (Net)'. (Also refer to Note 6.1 of Schedule 18 to the Standalone Financial Statements).

#### Fixed Assets

The Gross block of fixed assets is Rs. 21,553 Million as at March 31, 2009. The net addition to gross block of Rs. 6,689 is contributed primarily by additions of Rs. 9,364 Million and deletions to gross block of Rs. 2,675 Million. Additions primarily comprise of additions to Leasehold land of Rs. 273 Million, Buildings of Rs. 1,520 Million, Plant and Machinery (including Computers) Rs. 1,307 Million, Furniture and Fixtures (including items on finance lease) Rs. 1,711 Million and Software of Rs. 1,553 Million (Refer Note 12.1 of Schedule 18 to the Standalone Financial Statements).

The capital work-in-progress (net) of Rs. 3,895 Million as at March 31, 2009 primarily comprises of construction related contracts of Rs. 2,214 Million, Other Fixed Assets of Rs. 1,603 Million and Rs. 665 Million of Capital Advances and net of provision of Rs. 587 Million.

#### Investments

The Company during the current year acquired 100% stake in Bridge Strategy Group LLC, a Chicago based strategy and general management consulting firm for a total consideration of Rs. 1,489 Million (USD 35 Million) to be paid over 2.5 years. As at March 31, 2009, the initial purchase consideration and deferred non-contingent consideration aggregating to Rs. 1,082 Million have been accounted in the books of account.

The Company, during the year made further capital infusions in Satyam Computer Services (Shanghai) Co. Limited of Rs. 89 Million, Satyam Computer Services (Nanjing) Co. Limited of Rs. 98 Million, Nitor Global Solutions Limited of Rs. 21 Million and Knowledge Dynamics Pte Ltd of Rs. 11 Million.

CA Satyam ASP Private Limited was converted from a joint venture to a wholly owned subsidiary by purchasing the remaining stake from the other joint venture partner for Rs. 56 Million. The entity was renamed as C&S System Technology Private Limited.

The Company and Venture Global Engineering LLC (VGE) entered into a Joint Venture Agreement on October 20, 1999 to form an Indian Company called Satyam Venture Engineering Services Private Limited (SVES). On January 17, 2008, the District Court of Michigan held VGE in contempt for its failure to honour the award and amongst others directed VGE to dismiss its Board members and replace them with individuals nominated by the Company. The order of the District Court of Michigan in contempt proceeding was affirmed by the Sixth Court of Appeals on April 9, 2009. Following this VGE has appointed the Company's nominees on the Board of SVES and SVES confirmed the appointment at its Board meeting held on June 26, 2008. The Company is legally advised that SVES became its subsidiary only with effect from that date. (Refer Note 6.11 of Schedule 18 to the Standalone Financial Statements).

The summary of Company's investment is given below (Also refer Note 13 of Schedule 18 to the Standalone Financial Statements);

	(Rs. In Million)
Particulars	Amount
Gross Investments	7,400
Less: Provision for diminution of value	6,470
Net of Provision for Diminution in the Value of Investments	<b>930</b>

During the current year, with the assistance of independent professional agencies, the Company has assessed the operations of the subsidiaries, including the future projections, to identify indications of diminution, other than temporary, in the value of the investments recorded in the books of account and made impairment provision of Rs. 5,351 Million.

#### Deferred Tax Assets

The Company accounts for deferred tax in compliance with the Accounting Standard 22 prescribed by the Companies (Accounting Standard), Rules, 2006 (as amended). Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between financial statements carrying amounts of existing assets and liabilities and their respective tax bases. The deferred tax assets (net) amounted to Rs. 876 Million as of March 31, 2008 has been charged to Profit and Loss account. During the year no deferred tax asset has been recognized as at March 31, 2009 on account of accumulated business losses and other items on grounds of prudence.





## Sundry Debtors

The Sundry Debtors (gross) as at March 31, 2009 is Rs. 18,718 Million, consisting of debtors exceeding six months of Rs. 4,200 Million and other debts of Rs. 14,518 Million. The cumulative provision against the total gross debtors outstanding as at March 31, 2009 is Rs. 4,046 Million. (Also refer Note 14.1 and 19 (iii) of Schedule 18 to the Standalone Financial Statements).

## Cash and Bank balances

Cash and Bank balances of Rs. 4,076 Million as on March 31, 2009 comprise of balances with Scheduled Banks (Deposit Accounts is Rs. 277 Million and Current Accounts is Rs. 1,488 Million) and Balances with Non-Scheduled Banks (Deposit Accounts is Rs. 8 Million and Current Accounts is Rs. 2,223 Million) (Refer Note 18 of Schedule 18 to the Standalone Financial Statements)

## Other Current Assets

Other Current Assets is Rs. 2,785 Million as at March 31, 2009 constituting Rs. 2,782 Million of Unbilled Revenue (Net) (Refer Notes 14.2 and 14.3 of Schedule 18 to the Standalone Financial Statements) and Rs. 3 Million of Interest Accrued on Bank Deposits.

## Loans and Advances

Loans and Advances (gross) as at March 31, 2009 is Rs. 7,434 Million and the cumulative provision towards doubtful advances is Rs. 2,830 Million (Refer Note 19 (iii) of Schedule 18 to the Standalone Financial Statements) resulting in a net balance of Rs. 4,604 Million. This primarily comprise of Loans/Advances to Subsidiaries (Considered Good - Rs. 305 Million and Considered Doubtful - Rs. 909 Million), Advances recoverable in cash or in kind or for value to be received (Considered Good - Rs. 1,814 Million and Considered Doubtful - Rs. 459 Million), Share Application Money towards investments in subsidiaries (Considered Doubtful - Rs. 1,348 Million) and Deposits (Considered Good - Rs. 2,269 Million and Considered Doubtful - Rs. 83 Million)

## Current Liabilities

Current liabilities as at March 31, 2009 are Rs. 12,909 Million. This primarily comprises of Sundry Creditors (Dues to Micro Enterprises and Small Enterprises and dues to others) of Rs. 9,186 Million, Advances from Customers of Rs. 576 Million, Unearned Revenue of Rs. 759 Million and Other Liabilities of Rs. 2,308 Million.

## Provisions

Provisions as at March 31, 2009 are Rs. 12,081 Million. This comprises of provisions for employee benefits of Rs. 2,855 Million, provision for warranties of Rs. 105 Million, provision for contingencies of Rs. 4,750 Million and provision for taxation (net) of Rs. 4,371 Million.

## Unexplained Differences Suspense Account (Net)

The forensic investigation focused on the period from April 1, 2002 onwards. The forensic investigation identified fictitious cash and bank balances (Rs.9,964 Million), debtor balances (Rs. 557 Million) and unrecorded loans (Rs. 700 Million) originating in periods prior to April 1, 2002 aggregating Rs. 11,221 Million (net debit). The forensic investigation also identified certain transactions aggregating Rs. 166 Million (net debit) (comprising of Rs. 2,444 Million of gross debits and Rs. 2,278 Million of gross credits) during the period from April 1, 2002 to March 31, 2008 and Rs. 7 Million (net debit) (comprising of Rs. 12 Million of gross debits and Rs. 5 Million of gross credits) during the period from April 1 to December 31, 2008 which

remain unidentified primarily due to lack of substantive documents (Refer Note 3.3 (ii) of Schedule 18 to the Standalone Financial Statements)

The Company, on grounds of prudence, has provided for the opening balance differences (net debit) of Rs 11,221 Million as at April 1, 2002 and other differences (net debit) of Rs. 166 Million during the period from April 1, 2002 to March 31, 2008 as Prior Period Adjustments (Refer Note 3.4 (ii) of Schedule 18 to the Standalone Financial Statements) and has also provided for the other differences (net) of Rs. 7 Million relating to the period from April 1 to December 31, 2008 as a current year charge under Provision for Unexplained Differences (Refer Note 35.3 of Schedule 18 to the Standalone Financial Statements).

There are certain differences between the sub systems which provide the inputs to the main sub system, which is ultimately interfaced to the general ledger, for which complete details are not available. Consequently, adjustments arising on account of these reconciliations have been carried out to the extent feasible by the Management, based on the available information. Based on the same, the Company has identified certain transactions amounting to Rs. 27 Million (net debit) (comprising of Rs. 494 Million of gross debits and Rs. 467 Million of gross credits), for which the complete details are not available, hence, these amounts have been accounted under "Unexplained Differences Suspense Account (Net)" under Schedule 12 and the Management has provided for the unexplained net amount of Rs. 27 Million as at March 31, 2009 by debit to the Profit and Loss account on grounds of prudence (Refer Note 9.3 of Schedule 18 to the Standalone Financial Statements).

## Total Income

Total Income of Rs. 84,679 Million comprises of income from IT services, sale of hardware equipments and other items and other income.

IT services revenues

Revenues from IT services of Rs. 82,872 Million comprises of revenue from Overseas / Exports market - Rs. 79,621 Million and from domestic market of Rs. 3,251 Million.

The IT services revenue mix based on various parameters is as follows:

### Revenues based on offshore and onsite/offsite

Location	Year ended March 31, 2009	
	Amount in Rs. Million	%
Offshore	38,247	46.15%
Onsite / Offsite	44,625	53.85%
<b>Total</b>	<b>82,872</b>	<b>100.00%</b>

### Revenues based on geography

The following table gives the composition of our IT services revenue based on the location of customers for the year:

Region	Year ended March 31, 2009	
	Amount in Rs. Million	%
North America	50,897	61.42%
Europe	16,416	19.81%
Asia Pacific	10,012	12.08%
India	3,251	3.92%
Rest of the World	2,296	2.77%
<b>Total</b>	<b>82,872</b>	<b>100.00%</b>

#### Sale of Hardware Equipment and Other Items

During the year, the Company has identified and accounted for the sale of certain hardware equipments and Other Items amounting to Rs. 1,190 Million.

#### Other Income

The other income of Rs. 617 Million primarily comprises of Rs. 263 Million of Revenue Grants from Government Authorities (Refer Note 27 of Schedule 18 to the Standalone Financial Statements) and provisions / Liabilities no longer required written back (Refer Note 15 of Schedule 18 to the Standalone Financial Statements) amounting to Rs. 248 Million.

#### Exceptional Items

The Profit and Loss account includes the following exceptional expenses;

(Rs. In Million)

Particulars	FY 2008-09
Expenses related to forensic investigation and litigation support	832
Provision for doubtful Debts, Advances and Impairment of Assets	3,393
Provision for impairment losses in subsidiaries (Refer Note 19 (ii), 19 (iii) and 13.9 of Schedule 18 to the Standalone Financial Statements)	7,150
Provision for Contingencies. (Refer Note 35.2 of Schedule 18 to the Standalone Financial Statements)	4,750
Prior period adjustments (Refer Note 3.4 of Schedule 18 to the Standalone Financial Statements)	62,428
<b>Total</b>	<b>78,553</b>

#### Personnel expenses

Personnel costs (net) for the year 2008-09 is Rs. 56,548 Million. The number of employees as at March 31, 2009 is 41,267 (comprising of Technical associates of 38,072 and Non-Technical associates of 3,195).

#### Operating and administration expenses

The total operating and administration expenses (net) for the FY 2008-09 is Rs. 30,061 Million. This primarily comprises of cost of hardware equipment and other equipments sold of Rs. 1,549 Million, Rent of Rs. 2,080 Million, Travelling and Conveyance of Rs. 4,394 Million, Sub-contracting Costs (Net) of Rs. 4,162 Million, Legal and Professional Charges of Rs. 1,598 Million, and Loss on Exchange Fluctuations (net) of Rs. 5,030 Million.

#### Depreciation

Depreciation expense for the year is Rs. 2,972 Million. An additional depreciation of Rs. 678 Million relating to prior periods was made during the current year and disclosed as prior period adjustments. (Refer Notes 3.3 (iii), 12.1 and 12.2 of Schedule 18 to the Standalone Financial Statements)

#### Provision for tax

No provision has been made in the financial statements towards current tax for the current year towards its domestic operations, since the Company has incurred a tax loss for the year. Further, the Management has assessed the Company's tax position in respect of its overseas operations taking into account the relevant rules and regulations as applicable in the respective countries and based on professional advice, has determined that the provision amounting to Rs. 317 Million made currently is adequate and no additional provision for current tax for the current year needs to be made in respect of the same. The tax provision for the current year also includes an amount of Rs. 156 Million towards adjustments for unreconciled amounts pertaining to earlier periods (Refer Note 33.1 of Schedule 18 to the Standalone Financial Statements)

#### Dividend

For the financial year 2008-09, the Company declared and paid an amount of Rs. 674 Million as interim dividend based on the approval obtained from the erstwhile Board of Directors of the Company vide their resolution dated October 17, 2008. As the Company has incurred losses in the current year (even before prior period adjustments identified on account of the financial irregularities during the earlier years), there were no profits for the purpose of declaring dividend and, hence, there is a non-compliance of Section 205 of the Act. (Refer 8.1(vi) of Schedule 18 to the Standalone Financial Statements)

No final dividend was declared by the Company for the current year.

#### Development in Human Resources

For material developments in Human Resources, please refer to Directors' Report.

#### Disclaimer

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied.



# Auditors' Report

TO THE MEMBERS OF  
SATYAM COMPUTER SERVICES LIMITED

## Appointment

1. We have been appointed as statutory auditors of **SATYAM COMPUTER SERVICES LIMITED** ("the Company") for the year ended March 31, 2009 by the Board of Directors of the Company (hereinafter referred to as the "Board") subject to the ratification by the shareholders of the Company, pursuant to the order of the Honourable Company Law Board (CLB) dated October 15, 2009. This report is addressed to the members of the Company subject to the ratification of our appointment.

## Report on the Financial Statements

2. We have audited the attached Balance Sheet of the Company as at March 31, 2009, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto.

## Management's Responsibility for the Financial Statements

3. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

## Auditors' Responsibility

4. **Subject to the matters discussed in this report**, we conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

## Companies (Auditor's Report) Order, 2003 (CARO)

5. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 ("the Act") we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, **which is subject to the matters discussed in this report.**

## Basis for Opinion

6. As stated in Note 3 of Schedule 18:
  - a. On January 7, 2009, in a communication ('the letter') addressed to the then-existing Board of Directors of the Company and copied to the Stock Exchanges and Chairman of Securities and Exchange Board of India ("SEBI"), the then Chairman of the Company, Mr. B. Ramalinga Raju ('the erstwhile Chairman') admitted that the Company's Balance Sheet as at September 30, 2008 carried inflated cash and bank balances, non-existent accrued interest, understated liability and overstated debtors position. As per the letter, the gap in the Company's Balance Sheet had arisen purely on account of inflated profits over a period of last several years. Consequently, various regulators have initiated their investigations and legal proceedings, which are ongoing and are more fully described in the said Note.
  - b. The Government nominated Board of Directors appointed an independent counsel ('Counsel') to conduct an investigation of the financial irregularities that would enable preparation of the financial statements of the Company. The Counsel appointed forensic accountants to assist in the investigation (referred to as 'forensic investigation') and preparation of the financial statements. The forensic accountants have expressed certain reservations and limitations in their investigation process which are more fully described in the said Note.
  - c. Pursuant to the investigations conducted by the Central Bureau of Investigation ("the CBI")/other regulatory authorities, most of the relevant documents in the possession of the Company were seized by the CBI/other authorities and partial access was granted to the Company including for taking photo copies of the relevant documents as may be required in the presence of the CBI officials.
  - d. The former statutory auditors of the Company vide their letter dated January 13, 2009 to the Board of Directors have indicated that their reports and opinions in relation to the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon.
  - e. As confirmed by the order of the CLB, and in accordance with Accounting Standard 5 - "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies", adjustments resulting from financial irregularities and errors relating to periods prior to April 1, 2008, to the extent identified, have been accounted for as "Prior Period Adjustments" in these financial statements.
  - f. As per the assessment of the Management, based on the forensic investigation carried out through an independent counsel/forensic accountants, and the information available at this stage, all identified/required adjustments/disclosures arising from the financial irregularities, have been made in these financial statements.

The Management is of the view that since matters relating to several of the financial irregularities are *sub judice* and various investigations are ongoing, any further adjustments/disclosures to the financial statements, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

**In view of the above, we are unable to comment on the adjustments/disclosures which may become necessary as a result of further findings of the ongoing investigations and the consequential impact, if any, on these financial statements.**

7. As stated in Note 3.3(ii) of Schedule 18, the Company has, based on the forensic investigation, accounted for the opening balance differences (net debit) of Rs. 11,221 Million as at April 1, 2002, other differences (net debit) of Rs. 166 Million during the period from April 1, 2002 to March 31, 2008 and Rs. 7 Million relating to the period from April 1 to December 31, 2008 aggregating Rs. 11,394 Million under "Unexplained Differences Suspense Account (Net)" under Schedule 12 due to non-availability of complete information. These net debit amounts aggregating Rs. 11,394 Million have been fully provided for on grounds of prudence.

**In the absence of complete/required information, we are unable to comment on the accounting treatment/disclosure for the aforesaid unexplained amounts accounted under "Unexplained Differences Suspense Account (Net)" in these financial statements.**

8. As stated in Note 6.1 of Schedule 18, the alleged advances amounting to Rs. 12,304 Million (net) has been presented separately under 'Amounts Pending Investigation Suspense Account (Net)' in the Balance Sheet. In this regard, there are certain claims by thirty seven companies seeking repayment of the amounts allegedly paid by them to the Company as temporary advances which were earlier not recorded in the books of account of the Company. These companies have also claimed damages/compensation/interest on these amounts. Further, these companies have also filed recovery suits/petitions against the Company. The details of these claims are more fully described in the said Note. The Company has not acknowledged any liability to any of the thirty seven companies and has replied to the legal notices stating that the claims are legally untenable.

The Directorate of Enforcement ("ED"), Government of India, is conducting an investigation under the Prevention of Money Laundering Act, 2002 on the amounts allegedly advanced by the aforesaid parties and has directed the Company not to return the amounts until further instructions from the ED.

The Management has represented that since the matter is *sub judice* and the investigations by various Government agencies are in progress, the Management, at this point of time is not in a position to predict the ultimate outcome of the legal proceedings initiated by these thirty seven companies.

**In view of the above, we are unable to determine whether any adjustments/disclosures will be required in respect of the aforesaid alleged advances amounting to Rs. 12,304 Million (net) and in respect of the non-accounting of any damages/compensation/interest in these financial statements.**

9. As stated in Note 6.3 of Schedule 18, subsequent to the letter by the erstwhile Chairman of the Company relating to various financial irregularities in the Company's financial statements, a number of persons claiming to have purchased the Company's securities have filed class action lawsuits in various courts in the United States of America. These class action suits are more fully described in the said Note. Based on the legal advice obtained by the Company, the Company is contesting the above lawsuits.

**Since the matter is *sub judice*, the outcome of which is uncertain at this stage, we are unable to comment on the consequential impact, if any, on these financial statements.**

10. As stated in Note 8.1(vi) of Schedule 18, an amount of Rs. 674 Million has been paid as interim dividend for the year 2008-09. Since there are no profits for the purpose of declaring dividend, there is a non-compliance of Section 205 of the Act. Further, as stated in Note 8.1(vii) of Schedule 18, the consequential transfer of the stipulated minimum amounts of profits to General Reserves in accordance with the Companies (Transfer of Profits to Reserves Rules), 1975, has also not been effected due to inadequate balance in the Profit and Loss Account. The Management is proposing to make an application to the appropriate authority for condoning these non-compliances. Refer to paragraph 17 below also.

**The possible impact of these non-compliances in the event the Company's condonation requests are not granted has not been determined or recognised in these financial statements.**

11. Attention is invited to the following matters:

- a. As stated in Note 9.2 of Schedule 18, in the absence of certain documents/information, adjustments required in respect of the opening balances as at April 1, 2008 (including the adjustments consequent to the assessment of consistent application of accounting policies) have been carried out to the extent feasible by the Management, based on available alternate evidences/information.

**In the absence of the aforesaid documents/information for the periods prior to April 1, 2008, we could not perform some of the required auditing procedures on the opening balances to the extent deemed necessary by us. Furthermore, due to inadequate records, we are unable to fully assess whether the Company's accounting policies have been applied on a basis consistent with that of the preceding period.**

- b. As stated in Note 9.3 of Schedule 18, certain reconciliations between the sub-systems/sub-ledgers and the general ledger could not be performed completely due to non-availability of all the required information. The Company has identified certain amounts aggregating Rs.27 Million (net debit), comprising of Rs. 494 Million (gross debits) and Rs. 467 Million (gross credits) appearing in the general ledger, for which complete details are not available and, hence, these amounts have been accounted under "Unexplained Differences Suspense Account (Net)" under Schedule 12 and the Management has made provision for the net unexplained debit amounts aggregating Rs. 27 Million as at March 31, 2009 on grounds of prudence. Further, there are certain differences in data between inter-connected sub-systems, ultimately interfaced to the general ledger, for which complete details are not available.

**In the absence of the required information, we are unable to determine the additional impact, if any, of such unexplained amounts/differences on these financial statements.**

- c. Responses were not received in 3,047 number of cases out of our total sample of 3,746 number of requests sent out for confirmations of balances/other details in respect of parties reflected under Sundry Debtors, Loans and Advances, Current Liabilities, etc. Further, confirmations could not be sent in 47 number of cases due to the non-availability of complete records/ addresses relating to these parties. Refer Note 9.4 of Schedule 18.

**Had all the confirmations been received and reconciled, there may have been additional adjustments required to these financial statements which are not determinable, at this stage.**



12. Attention is invited to the following matters:
- Further to our comments in paragraph 8 above, the amounts received during the year and shown under "Amounts Pending Investigation Suspense Account (Net)" has been presented in the cash flow statement separately since the Management could not identify the nature of the same and, hence, could not categorise the same as operating, investing or financing cash flows.  
**This is not in accordance with Accounting Standard (AS) 3 - Cash Flow Statements.**
  - Identification of companies/firms/other parties covered in the Register maintained under Section 301 of the Act, companies under the same management within the meaning of Section 370(1B) of the Act, firms/private limited companies in which a director is a member or a partner, the non-scheduled banks where a director of the Company is interested and the related parties as required under AS 18 – Related Party Disclosures as stated in Notes 19(iv) and 30 of Schedule 18 has been done by the Management based on available information. For the reasons stated in the said Notes, there may be additional related parties whose relationship would not have been disclosed to the Company, and, hence, not known to the Management.  
**We are unable to comment on the completeness/correctness of the above referred details in the absence of all the required information.**
  - As stated in Note 12.4 of Schedule 18, the Company has given as finance lease, vehicles to the employees under the Associates Car Purchase Scheme, the gross original cost of which aggregates Rs. 654 Million (net book value Rs.382 Million as at March 31, 2009), which have not been accounted for as finance leases in accordance with AS 19 – Leases in the absence of complete/adequate information.  
**In the absence of complete/adequate information, we are unable to determine the extent to which fixed assets and depreciation have been overstated and the impact of the non-compliance with AS 19 - Leases on these financial statements.**
  - As stated in Notes 14.5 and 37 of Schedule 18, **the Company has not maintained proper records of its inventories during the year though the required adjustments to account for the inventory in the books of account were made based on the available information with the Management as at the year end. Further, the Company has not disclosed the quantitative details of purchase and sale of hardware equipment and other items as required under Schedule VI of the Act in the absence of complete information.**
13. The Management has evaluated and accounted for certain transactions/made the relevant disclosures based on and to the extent of the information available with the Company in respect of the following Notes of Schedule 18:
- Adjustment of unapplied receipts against Sundry Debtors, classification of Sundry Debtors and provisioning for doubtful debts as stated in Note 14.1.
  - Accounting for contracts under percentage of completion method and unbilled revenue as stated in Notes 14.2 and 14.3.
  - Accounting for multiple deliverable elements, hardware equipments and other items etc, as stated in Notes 14.4 and 14.5.
  - Accounting for unearned revenue as stated in Note 14.7.
  - Accounting for reimbursements/recoveries from customers as stated in Note 14.9.
- In the absence of the required information, we are unable to determine the additional impact, if any, of the above matters on these financial statements.**
14. As stated in Note 6.6(vi) of Schedule 18, the Company is carrying a total amount of Rs.4,371 Million (net of payments) as at March 31, 2009 towards provision for taxation which was made primarily on the basis of the past financial statements. Considering the effects of financial irregularities, status of disputed tax demands, appeals/claims pending before the various authorities, the consequent uncertainties regarding the outcome of these matters and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the outstanding balance of tax provision as at March 31, 2009.  
**In view of the above, we are unable to comment on the adequacy or otherwise of the provision for taxation carried in these financial statements.**
15. In view of the matters described in paragraph 6 above and as stated in Note 39 of Schedule 18, **information relating to the previous year has been provided only for the purpose of statutory requirements and the same cannot be used for any comparison purposes or otherwise.**
16. Without qualifying our opinion, we invite attention to the following Notes of Schedule 18 relating to various claims and contingencies:
- Note 6.2 regarding the settlement amount of Rs. 3,274 Million (equivalent to USD 70 Million) deposited into the escrow account payable to Upaid Systems Limited.
  - Note 6.4 regarding the Division of Enforcement of the United States Securities and Exchange Commission conducting a formal investigation into misstatements in the financial statements of the Company for the prior years pursuant to the letter of the erstwhile Chairman and recommending enforcement action against the Company.
  - Notes 6.6 to 6.8 regarding the various demands/disputes raised by the direct and indirect tax authorities both in India as well as overseas jurisdictions.
- As stated in Note 6.13 of Schedule 18, the Company has made appropriate provision for contingencies as at March 31, 2009 which, in the opinion of the Management, is adequate to cover any probable losses in respect of the above litigations and claims.
17. Without qualifying our opinion, we invite attention to the following Notes of Schedule 18 relating to certain regulatory non-compliances/breaches:
- Note 8.1 regarding various non-compliances with the provisions of the Act.
  - Note 8.2 regarding certain non-compliances of the guidelines issued by the SEBI with respect to allotment of stock options to the employees.
  - Note 8.3 regarding certain non-compliances of the provisions of the Foreign Exchange Management Act, 1999.



- d. Note 8.5 regarding certain non-compliances of the provisions of the Income Tax Act, 1961.
- e. Note 8.6 regarding delay in filing of tax returns in overseas jurisdictions.

The Management has represented that:

- (i) the various non-compliances and breaches by the Company of the statutory requirements which have been noticed/observed, duly considering the findings of the forensic investigation/other ongoing regulatory investigations have been summarised in the aforesaid Notes.
  - (ii) the Company is proposing to make an application to the appropriate authorities, where applicable, for condoning these non-compliances and breaches relating to the Company.
  - (iii) the possible impact of these non-compliances and breaches in the event the Company's condonation requests, where applicable, are not granted has not been determined or recognised in these financial statements.
18. Without qualifying our opinion, we invite attention to the following Notes of Schedule 18 relating to certain accounting and other matters:
- a. Note 9.1 regarding the Management's identification of several deficiencies in the Company's internal control over financial reporting as at March 31, 2009 along with certain remediation action taken subsequently.
  - b. Note 9.5 regarding various risks and uncertainties relevant to the Company's financial condition as identified by the Management.
  - c. Note 12.8 regarding adjustments that may be required on account of the physical verification of fixed assets conducted subsequent to the year end.
  - d. Note 13.9 regarding the provisions made for the diminution in the value of investments and Note 19(iii) regarding the provision made for the dues from the subsidiaries.
19. Without qualifying our opinion, we invite attention to Note 22 of Schedule 18 regarding provision for statutory audit fees of Rs. 57 Million (including for the audit of prior period items) debited to the profit and loss account which is subject to the approval of the shareholders.

#### **Opinion**

20. Further to our comments in the Annexure referred to in paragraph 5 above and paragraphs 16 to 19 above and **subject to our comments in paragraphs 6 to 15 above**, we report that:
- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Act;
  - e. in our opinion and to the best of our information and according to the explanations given to us, the said Accounts, read together with the notes thereon, give the information required by the Act in the manner so required and, **subject to the consequential effects of our comments in paragraphs 6 to 15 above which are not quantifiable**, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
    - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

#### **Reporting Requirements relating to Section 274(1)(g)**

21. Since all the Directors as on March 31, 2009 were Government nominees, the reporting requirement relating to Section 274(1)(g) of the Act does not arise.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 008072S)

**P.R.Ramesh**  
Partner  
(Membership No.70928)

HYDERABAD, September 29, 2010





## Annexure to the Auditors' Report

(Referred to in paragraph 5 of our report of even date)

- i. Having regard to the nature of the Company's business/activities/result/transactions, etc, clauses (viii), (xii), (xiii), (xiv), (xix) and (xx) of CARO are not applicable.
- ii. In respect of its fixed assets:
  - a. The Company has maintained records of fixed assets showing particulars, including quantitative details and situation of the fixed assets situated within India **except that quantitative details, asset description, etc., in respect of some of the fixed assets, need to be updated in the Fixed Assets Register.** According to the information and explanations given to us, **in respect of the fixed assets situated at the overseas branches of the Company, the Company has not maintained complete records showing the quantitative details and situation of fixed assets.**
  - b. **The fixed assets were not physically verified during the year by the Management.** Refer to paragraph 18 (c) of the Auditors' Report also.
  - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii. In respect of its inventory:
  - a. As explained to us, **the inventories were not physically verified during the year by the Management.**
  - b. Since no physical verification was conducted, reporting on the procedures followed by the Management does not arise.
  - c. In our opinion and according to the information and explanations given to us, **the Company has not maintained proper records of its inventories during the year** though the required adjustments to account for the inventory in the books of account were made based on the information available with the Management as at the year end. Refer to paragraph 12(d) of the Auditors' Report also.
- iv. **Subject to the comments in paragraphs 8 and 12(b) of the Auditors' Report**, in respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register under Section 301 of the Act:
  - a. With respect to the transactions recorded for the period from April 1 to December 31, 2008, as the Register maintained by the Company (updated as at that date) has been seized by the Income Tax Department, only photo copies were made available for our verification. Subject to our reliance on such photocopies, the Company has not granted or taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained in pursuance of Section 301 of the Act during the period from April 1 to December 31, 2008.
  - b. According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained in pursuance of Section 301 of the Act for the period from January 1 to March 31, 2009.
- v. In our opinion and according to the information and explanations given to us, **there was no adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have observed several major weaknesses in such internal control system.** Refer to paragraph 18(a) of the Auditors' Report also.
- vi. **Subject to the comments in paragraphs 8 and 12(b) of the Auditors' Report**, in respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Act, to the best of our knowledge and belief and according to the information and explanations given to us and subject to our reliance on the photocopies of the Register for the period from April 1 to December 31, 2008 (Refer Item iv (a) above):
  - (a) The particulars of contracts or arrangements referred to in Section 301 of the Act that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) There were no transactions in excess of Rs. 5 lakhs in respect of any party.
- vii. **Subject to our comments in paragraph 8 of the Auditors' Report**, according to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- viii. In our opinion, **read with our comments in paragraph 18(a) of the Auditors' Report, the Company did not have an internal audit system commensurate with its size and nature of its business.**
- ix. According to the information and explanations given to us in respect of statutory dues:
  - (a) Whilst the Company has been generally regular in depositing undisputed dues relating to Investor Education and Protection Fund, Wealth Tax and other material statutory dues applicable to it with the appropriate authorities, **there were significant delays in depositing undisputed dues in respect of Provident Fund, Employees' State Insurance, Tax Deducted at Source, Sales Tax/VAT, Works Contract Tax and Service Tax.**
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Wealth Tax, Sales Tax/VAT, Service Tax, Cess and other material statutory dues in arrears as at March 31, 2009 for a period of more than six months from the date they became payable **except in respect of Tax Deducted at Source amounting to Rs. 171,945 and certain Overseas Taxes amounting to Rs. 866,456. As regards Income Tax, we are unable to comment on**

**the dues in arrears as at March 31, 2009 for a period of more than six months from the date they became payable in view of the matters described under paragraph 14 of the Auditors' Report.**

- (c) Details of dues of Income Tax, Sales Tax, Service Tax and Cess which have not been deposited as on March 31, 2009 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Amount involved (Rs. in Million)	Period to which the amount relates
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	539	2004-05 and 2005-06
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	133	2001-02
Revenue and Taxation Code, USA	New York State Income Tax	New York State Department of Taxation and Finance	106	2006 to 2008
Revenue and Taxation Code, USA	California State Income Tax	Franchise Tax Board, California	62	2003 to 2005
Revenue and Taxation Code, USA	Pennsylvania State Income Tax	Commonwealth of Pennsylvania Department of Revenue	4	1998 to 2005
Andhra Pradesh VAT Act, 2005 /CST Act, 1956	Sales tax (including penalty)	Sales Tax Appellate Tribunal	29	2005-06 to 2007-08
Finance Act, 1994	Service Tax (including penalty)	Central Excise and Service Tax Appellate Tribunal	129	2004-05 to 2008-09

- x. **The accumulated losses of the Company at the end of the financial year have exceeded the net worth of the Company. Further, the Company has incurred cash losses in the financial year ended March 31, 2009. For the reasons stated in paragraph 15 of the Auditors' Report, we are unable to comment on the cash losses for the immediately preceding financial year.**
- xi. In our opinion and according to the explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company does not have any dues to financial institutions and has not issued any debentures.
- xii. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by some of its subsidiaries from banks and financial institutions, as made available to us for our verification, are not *prima facie* prejudicial to the interests of the Company considering the nature of the guarantees, purposes and needs.
- xiii. In our opinion and according to the information and explanations given to us, term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- xiv. **In view of our comments in paragraph 8 of the Auditors' Report, we are unable to comment whether the funds raised on short-term basis have been used during the year for long-term investment.**
- xv. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- xvi. To the best of our knowledge and according to the information and explanations given to us, **the details of fraud on or by the Company noticed or reported during the year are given below:**
- a. **As stated in paragraph 6 of the Auditors' Report, there were various financial irregularities which are more fully described in Note 3 of Schedule 18.**
- b. Various other instances of fraud noticed by the Management involving the employees of the Company/vendors of the Company, the amounts whereof were not material and the same have been suitably dealt with in the financial statements of the Company.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 008072S)

**P.R.Ramesh**  
Partner  
(Membership No.70928)

HYDERABAD, September 29, 2010



## Balance Sheet as at March 31, 2009

	Schedule	As at March 31, 2009	(Rs. in Million) As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	1,348	1,341
Share Application Money Pending Allotment (Refer Note 11 of Schedule 18)		-	18
Reserves and Surplus	2	<u>16,063</u>	<u>72,217</u>
		<b>17,411</b>	<b>73,576</b>
<b>Loan Funds</b>			
Secured Loans	3	<u>6,410</u>	<u>237</u>
<b>SUB TOTAL</b>		<b>23,821</b>	<b>73,813</b>
<b>Amounts Pending Investigation Suspense Account (Net)</b> (Refer Note 6.1 of Schedule 18)		<b>12,304</b>	
<b>TOTAL</b>		<u><b>36,125</b></u>	<u><b>73,813</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	<b>21,553</b>	14,864
Accumulated Depreciation / Amortisation		<u>14,044</u>	<u>10,620</u>
Net Block		<b>7,509</b>	4,244
Capital Work-in-Progress (Including Capital Advances)		<u>3,895</u>	<u>4,586</u>
		<b>11,404</b>	<b>8,830</b>
<b>Investments</b>			
	5	<b>930</b>	4,938
<b>Deferred Tax Asset (Net)</b> (Refer Note 33.2 of Schedule 18)		-	876
<b>Current Assets, Loans and Advances</b>			
Inventories (Refer Notes 14.5, 14.10 and 37 of Schedule 18)		<b>10</b>	
Sundry Debtors	6	<b>14,672</b>	22,234
Cash and Bank Balances	7	<b>4,076</b>	44,617
Other Current Assets	8	<b>2,785</b>	2,725
Loans and Advances	9	<u>4,604</u>	<u>4,002</u>
		<b>26,147</b>	<b>73,578</b>
<b>Current Liabilities and Provisions</b>			
Current Liabilities	10	<b>12,909</b>	8,907
Provisions	11	<u>12,081</u>	<u>5,502</u>
		<b>24,990</b>	<b>14,409</b>
<b>Net Current Assets</b>		<u><b>1,157</b></u>	<u>59,169</u>
<b>Debit Balance in Profit and Loss Account</b>		<b>22,634</b>	
<b>SUB TOTAL (NET)</b>		<u><b>36,125</b></u>	<u><b>73,813</b></u>
<b>Unexplained Differences Suspense Account (Net)</b>	12	-	
<b>TOTAL (NET)</b>		<u><b>36,125</b></u>	<u><b>73,813</b></u>
<b>Notes to Accounts</b>	18		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
Partner

Place: Hyderabad  
Date : September 29, 2010

**C. Achuthan**  
Director

**T.N.Manoharan**  
Director

**Ulhas N.Yargop**  
Director

**For and on behalf of the Board of Directors**

**Vineet Nayyar**  
Chairman

**S.Durgashankar**  
Chief Financial Officer

**C.P.Gurnani**  
Whole-time Director & CEO

**G.Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010

**Profit and Loss Account for the Year Ended March 31, 2009**

		(Rs. in Million)	
	Schedule	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>Income</b>			
Income from Operations	13	84,062	81,373
Other Income	14	617	2,572
		<u>84,679</u>	<u>83,945</u>
<b>Expenditure</b>			
Personnel Expenses	15	56,548	50,456
Operating and Administration Expenses	16	30,061	12,633
Provision for Contingencies (Refer Note 35.2 of Schedule 18)		4,750	
Provision for Diminution in the Value of Investments (Refer Note 13.9 of Schedule 18)		5,351	
		<u>96,710</u>	<u>63,089</u>
<b>(Loss) / Profit before Interest, Depreciation, Prior Period Adjustments and Tax</b>		<b>(12,031)</b>	20,856
Interest and Financing Charges	17	390	59
Depreciation / Amortisation	4	2,972	1,379
		<u>3,362</u>	<u>1,438</u>
<b>(Loss) / Profit before Prior Period Adjustments and Tax</b>		<b>(15,393)</b>	19,418
Prior Period Adjustments (Refer Note 3.4 of Schedule 18)		62,428	
<b>(Loss) / Profit before Tax</b>		<b>(77,821)</b>	19,418
Provision for Tax			
Income Tax - Current (Refer Note 33.1 of Schedule 18)		473	2,549
- Deferred (Refer Note 33.2 of Schedule 18)		876	(443)
Fringe Benefit Tax (Net) - For the Year		158	155
- For Prior Years (Refer Note 8.1(viii) of Schedule 18)		24	
		<u>1,527</u>	<u>2,261</u>
<b>Net (Loss) / Profit for the Year</b>		<b>(79,352)</b>	17,157
Balance in Profit and Loss Account Brought Forward ("As Published" - Refer Note 39 of Schedule 18)		51,177	38,483
Residual Dividend and Additional Dividend Tax (Refer Note 17 of Schedule 18)		8	3
<b>Amount Available for Appropriation</b>		<b>(28,183)</b>	<u>55,637</u>
Dividend (Refer Notes 8.1 (vi) & 8.1 (vii) of Schedule 18)			
Interim		674	669
Final		-	1,676
Total Dividend		<u>674</u>	<u>2,345</u>
Dividend Tax		114	399
Amount Transferred to General Reserve (Refer Note 8.1 (vii) of Schedule 18)		-	1,716
<b>(Debit) / Credit Balance in Profit and Loss Account</b>		<b>(28,971)</b>	<u>51,177</u>
Adjusted against the Balance in General Reserve, to the extent available		6,337	
<b>(Debit) / Credit Balance in Profit and Loss Account Carried to Balance Sheet</b>		<b>(22,634)</b>	<u>51,177</u>

Contd.



## Profit and Loss Account for the Year Ended March 31, 2009

	<i>Schedule</i>	<b>For the Year Ended March 31, 2009</b>	<b>For the Year Ended March 31, 2008</b> "As Published" (Refer Note 39 of Schedule 18)
Earnings per Share (Refer Note 32 of Schedule 18) - in Rs. (Equity Shares, Par Value Rs. 2 each)			
Basic		<b>(117.91)</b>	25.66
Diluted		<b>(117.91)</b>	25.12
Weighted Average Number of Shares			
Basic		<b>673,014,491</b>	668,673,978
Diluted		<b>673,014,491</b>	683,138,400
<b>Notes to Accounts</b>	18		

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
Partner

Place: Hyderabad  
Date : September 29, 2010

**C. Achuthan**  
Director

**T.N.Manoharan**  
Director

**Ulhas N.Yargop**  
Director

**Vineet Nayyar**  
Chairman

**S.Durgashankar**  
Chief Financial Officer

**For and on behalf of the Board of Directors**

**C.P.Gurnani**  
Whole-time Director & CEO

**G.Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010

**Cash Flow Statement (CFS) for the Year Ended March 31, 2009**

	(Rs. in Million)	
	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>(Loss) / Profit before Tax</b>	<b>(77,821)</b>	19,418
Prior Period Adjustments (Financial Irregularities) (Refer Note 3.4 of Schedule 18 and Note (iii) below)	<b>63,224</b>	
Adjustments for :		
Depreciation/ Amortisation (including Adjustments for Prior Years)	<b>3,650</b>	1,379
Employee Stock Compensation Expense	<b>628</b>	853
Interest and Financing Charges	<b>390</b>	59
Interest / Dividend Income	<b>(49)</b>	(2,700)
Liabilities / Provisions No Longer Required Written Back	<b>(248)</b>	
Tax Deducted at Source Written Off	<b>37</b>	
Loss on Sale of Fixed Assets (Net)	<b>323</b>	18
Provision for Capital Work in Progress	<b>587</b>	
Provision for Doubtful Debts	<b>2,626</b>	
Provision for Doubtful Advances	<b>2,070</b>	
Provision for Unexplained Differences	<b>34</b>	
Provision for Warranty	<b>105</b>	
Provision for Contingencies	<b>4,750</b>	
Provision for Diminution in the Value of Investments	<b>5,351</b>	
Effect of Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	<b>50</b>	420
<b>Operating Profit before Working Capital Changes</b>	<b>5,707</b>	19,447
<i>Changes in Working Capital</i>		
Inventories	<b>(10)</b>	
Sundry Debtors	<b>(823)</b>	(5,736)
Other Current Assets	<b>(2,782)</b>	
Loans and Advances	<b>(2,631)</b>	(1,384)
Margin Money Deposits	<b>(285)</b>	
Current Liabilities and Provisions (Refer Note (ii) below)	<b>3,368</b>	3,921
<b>Cash Generated from Operations</b>	<b>2,544</b>	16,248
Taxes Paid (Net)	<b>(927)</b>	(2,119)
<b>Net Cash From Operating Activities</b>	<b>1,617</b>	14,129
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Refer Note (ii) below)	<b>(8,129)</b>	(3,838)
Proceeds from Sale of Fixed Assets	<b>2,126</b>	10
Purchase of Long Term Investments	<b>(56)</b>	(3,208)
Investment in Subsidiaries	<b>(926)</b>	
Interest / Dividend Received	<b>50</b>	624
<b>Net Cash (Used in) Investing Activities</b>	<b>(6,935)</b>	(6,412)
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital (Including Securities Premium)	<b>531</b>	420
Decrease in Share Application Money Pending Allotment	<b>(18)</b>	
Proceeds from Secured Loans	<b>10,016</b>	207
Repayment of Secured Loans	<b>(3,896)</b>	(108)
Interest Paid on Loans	<b>(337)</b>	(59)
Dividends Paid (Including Distribution Tax)	<b>(2,757)</b>	(2,738)
<b>Net Cash From/ (Used In) Financing Activities</b>	<b>3,539</b>	(2,278)

Contd.





## Cash Flow Statement (CFS) for the Year Ended March 31, 2009

	(Rs. in Million)	
	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>IV. AMOUNTS PENDING INVESTIGATION SUSPENSE ACCOUNT (NET)</b>	<b>2,104</b>	
<b>Net Increase in Cash and Cash Equivalents (I + II + III + IV)</b>	<b>325</b>	5,439
<b>Cash and Cash Equivalents at the Beginning of the Year</b> ("As Published" (Refer Note 39 of Schedule 18))	<b>11,533</b>	6,514
Opening Balance Adjustments (Refer Note (iii) below)	<b>(8,097)</b>	
Effect of Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	<b>(50)</b>	(420)
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>3,711</b>	11,533
<b>Notes:</b>		
(i). Reconciliation of Cash and Cash Equivalents at the End of the Year with Schedule 7		
Cash and Bank Balance as per Schedule 7	<b>4,076</b>	44,617
Less: Margin Money Deposits	<b>(285)</b>	
Less: Dividend Bank Accounts	<b>(80)</b>	
Less: Investments in Long Term Deposits with Scheduled Banks		(33,084)
Cash and Cash Equivalents at the End of the Year	<b>3,711</b>	11,533

- (ii) Purchase of Fixed Assets for the year ended March 31, 2009 includes payments for items in capital work in progress and capital advances for purchase of fixed assets. Adjustments for increase / decrease in current liabilities relating to the acquisition of fixed assets has been made to the extent identified.
- (iii) For the purpose of determining the movement in cash and cash equivalents during the year as per the Indirect Method, the balances as at March 31, 2008 ("As Published" (Refer Note 39 of Schedule 18)), have been adjusted for the effects of the prior period adjustments on the opening balances as follows:

	(Rs. in Million)		
	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)	Prior Period Adjustments (Financial Irregularities)	Adjusted Opening Balance as at April 1, 2008 considered for the CFS
Cash and Cash Equivalents	11,533	8,097	3,436
Margin Money Deposits	33,084	33,084	-
Sundry Debtors (Gross)	23,654	5,719	17,935
Interest Accrued on Bank Deposits	2,725	2,721	4
Taxes	(1,227)	3,901	(5,128)
Unrecorded Tax Payments	-	(498)	498
Amounts Pending Investigation Suspense Account (Net)	-	10,200	(10,200)
<b>Total</b>	<b>69,769</b>	<b>63,224</b>	<b>6,545</b>

Schedules 1 to 18 attached form an integral part of the Accounts

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
Partner

Place: Hyderabad  
Date : September 29, 2010

**C. Achuthan**  
Director

**T.N.Manoharan**  
Director

**Ulhas N.Yargop**  
Director

For and on behalf of the Board of Directors

**Vineet Nayyar**  
Chairman

**S.Durgashankar**  
Chief Financial Officer

**C.P.Gurnani**  
Whole-time Director & CEO

**G.Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010

**Schedules forming part of the Balance Sheet as at March 31, 2009**

	As at March 31, 2009	(Rs. in Million) As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>1. Share Capital</b>		
Authorised Capital (Refer Note (i) below)		
1,400,000,000 (As at March 31, 2008 - 800,000,000 - "As Published" Refer Note 39 of Schedule 18) Equity Shares of Rs. 2 each	<u>2,800</u>	<u>1,600</u>
Issued, Subscribed and Paid-up Capital (Refer Notes (ii) to (iv) below)		
673,894,792 (As at March 31, 2008 - 670,479,293 - "As Published" Refer Note 39 of Schedule 18) Equity Shares of Rs. 2 each fully paid	<u>1,348</u>	<u>1,341</u>
	<u>1,348</u>	<u>1,341</u>
<b>Notes:</b>		
(i) Pursuant to the Company Law Board order dated February 19, 2009, the authorised share capital of the Company was increased from Rs. 1,600 Million to Rs. 2,800 Million at the Board of Directors' meeting held on February 21, 2009. Refer Note 4 of Schedule 18.		
(ii) Out of the above:		
(a) 4,000,000 Equity Shares of Rs. 2 each (after sub-division of Equity Shares) were allotted as fully paid-up for consideration other than cash pursuant to the scheme of amalgamation with Satyam Enterprise Solutions Limited.		
(b) 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.		
(c) 33,350,000 Equity Shares of Rs. 2 each fully paid-up representing 16,675,000 American Depository Shares allotted.		
(d) 6,500,000 Equity Shares of Rs. 2 each fully paid-up was allotted to Satyam Associates Trust in connection with the Associate Stock Option Plan - A (ASOP-A).		
(e) 31,229,043 Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company pursuant to the Associate Stock Option Plan - B (ASOP-B) and Associate Stock Option Plan (ADS) (ASOP-ADS).		
(f) 37,374 Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company representing 18,687 Restricted Stock Units (ADS).		
(g) 393,637 Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company pursuant to the Restricted Stock Units (ASOP).		
(iii) For other details of Associate Stock Options, in respect of the above Equity Shares, Refer Note 10 of Schedule 18.		
(iv) Also Refer Note 5 of Schedule 18 with respect to allotment of Equity Shares to Venturabay Consultants Private Limited, subsequent to the year end.		
<b>2. Reserves and Surplus</b>		
Securities Premium Account		
At the Commencement of the Year ("As Published" - Refer Note 39 of Schedule 18)	<b>13,686</b>	13,212
Add: Amounts Received on exercise of Employee Stock Options (ASOP-B and ASOP-ADS)	<b>524</b>	666
Add: Amounts transferred from Stock Option Outstanding Account (including relating to Prior Years)	<b>427</b>	
Add: Adjustment on account of Fringe Benefit Tax on ASOP (Refer Note 8.1 (viii) of Schedule 18)	<b>24</b>	
	<u>14,661</u>	<u>13,878</u>
Less: Utilised during the Year	<u>-</u>	<u>192</u>
	<b>14,661</b>	<b>13,686</b>

Contd.



## Schedules forming part of the Balance Sheet as at March 31, 2009

	(Rs. in Million)	
	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
General Reserve		
At the Commencement of the Year ("As Published" - Refer Note 39 of Schedule 18)	6,337	4,621
Add: Transfer from Profit and Loss Account	-	1,716
	<u>6,337</u>	<u>6,337</u>
Less: Debit Balance in Profit and Loss Account, adjusted to the extent of available General Reserve	<u>6,337</u>	
	-	6,337
Associate Stock Options (Refer Note 10 of Schedule 18)		
Stock Option Outstanding Account	1,897	1,817
Less: Deferred Employee Compensation Expense	495	800
	<u>1,402</u>	<u>1,017</u>
Balance in Profit and Loss Account	-	51,177
	<u>16,063</u>	<u>72,217</u>
<b>3. Secured Loans (Refer Note (i) below)</b>		
Rupee Term Loans from Banks (Refer Note (ii) below)	3,690	
Vehicle Loans (Refer Note (iii) below)		
- from Banks	136	
- from Others	130	
	<u>266</u>	237
Foreign Currency Packing Credit Loan from Bank (Refer Note (iv) below)	1,019	
Lease Obligation to Others in relation to Fixed Assets under Finance Lease (Refer Note (v) below and Note 31(ii) of Schedule 18)	1,382	
Interest and Other Dues Accrued and Due on Above Loans	53	
	<u>6,410</u>	<u>237</u>
<b>Notes:</b>		
(i) Amounts Repayable within 1 Year	5,039	
(ii) Rupee Term Loans from Banks are secured by way of <i>pari passu</i> first charge on movables located at Satyam Infocity, Hyderabad, Satyam Technology Centre, Hyderabad and on book debts and other receivables.		
(iii) Vehicle Loans are secured by hypothecation of the vehicles financed through the loan arrangements.		
(iv) Foreign Currency Packing Credit Loan from Bank is secured by <i>pari passu</i> charge on the Company's receivables.		
(v) Lease Obligation to Others is secured by the assets financed through the finance lease arrangements		

### Schedules forming part of the Balance Sheet as at March 31, 2009

#### 4. Fixed Assets

##### a) Fixed Assets

Assets	Gross Block					Accumulated Depreciation / Amortisation			Net Block	
	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)	Adjustments during the Year (Refer Notes (i) and (ii) below)	Additions during the Year	Deletions during the Year	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)	Adjustments during the Year (Refer Notes (i) and (ii) below)	For the Year (Refer Note (iii) below)	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
Tangible Assets										
Land and Land Development	382	-	-	50	332	-	-	-	332	382
- Freehold (Refer Note 12.3 of Schedule 18)										
- Leasehold (Note (iv) below)	88	-	273	-	361	-	3	3	358	88
Buildings (Note (v) below)	1,172	1,515	5	1	2,691	143	100	452	2,239	963
Plant and Machinery (including Computers)	10,075	207	1,100	4	11,378	(628)	1,312	9,005	2,373	1,752
Furniture, Fixtures and Interiors	2,268	551	209	18	3,010	146	403	2,207	803	601
Office Equipments	340	10	106	-	456	2	67	280	176	129
Vehicles (Refer Note 12.4 of Schedule 18)	539	13	185	83	654	2	111	272	382	329
Assets taken on Finance Lease										
Plant and Machinery		73	94	-	167		40	107	20	
Furniture, Fixtures and Interiors		-	951	-	951		125	-	826	
Intangible Assets										
Software		1,187	366	-	1,553		973	580	-	
Intellectual Property Rights (Refer Note 12.5 of Schedule 18)			2,519	2,519	-		164	164	-	
<b>Total</b>	14,864	3,556	5,808	2,675	21,553	678	2,972	14,044	7,509	4,244
<b>Previous Year</b> "As Published" (Refer Note 39 of Schedule 18)	12,804		2,152	92	14,864		1,379	10,620	4,244	3,499

##### Notes:

- Refer Notes 3.3(iii) and 12.1 of Schedule 18 with respect to capitalisation of fixed assets and related depreciation/amortisation pertaining to prior periods charged during the current year.
- Software grouped under plant and machinery till March 31, 2008 has been disclosed separately under intangible assets during the current year. Consequently, gross block of software amounting to Rs. 1,187 Million and accumulated depreciation/amortisation amounting to Rs. 973 Million as at March 31, 2008 have been transferred from plant and machinery to software through the adjustments columns.
- Refer Note 12.2 of Schedule 18 with respect to accelerated depreciation for certain assets.
- Gross Block of Leasehold Land includes Rs. 79 Million (As at March 31, 2008 - Rs. 122 Million "As Published" - Refer Note 39 of Schedule 18) in respect of which the deed of conveyance was pending as at March 31, 2009.
- Gross Block of buildings include Rs. 740 Million (As at March 31, 2008 - Rs. 389 Million "As Published" - Refer Note 39 of Schedule 18) being the cost of building constructed on land taken on lease by the Company.

##### b) Capital Work in Progress (including Capital Advances)

Particulars	Rs. in Million	
	As at March 31, 2009	As at March 31, 2008
Construction Related Contracts (Refer Note 12.6 of Schedule 18)	2,214	
Other Fixed Assets	1,603	
Capital Advances (Refer Note 12.6 of Schedule 18)	665	
Sub Total	4,482	
Less: Provision for Capital Work in Progress (Refer Note 12.7 of Schedule 18)	(587)	
<b>Total</b>	<b>3,895</b>	



## Schedules forming part of the Balance Sheet as at March 31, 2009

	(Rs. in Million)	
	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>5. Investments (At cost)</b>		
<b>a) Investments in Wholly Owned Subsidiaries - Long Term - Unquoted</b>		
C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) (Refer Note 13.1 of Schedule 18)		
14,337,990 (As at March 31, 2008 - Nil) "As Published" (Refer Note 39 of Schedule 18) Equity Shares of Rs. 10 each, fully paid-up	<b>128</b>	
Satyam Technologies Inc., 100,000 Common Stock of USD 0.01 each, fully paid-up	<b>202</b>	202
Less: Provision for Diminution in Value of Investment (Refer Note (vi) below)	<b>141</b>	61
Satyam BPO Limited (formerly known as Nipuna Services Limited) 33,104,319 Equity Shares of Rs. 10 each, fully paid-up	<b>2,735</b>	2,735
Less: Provision for Diminution in Value of Investment (Refer Note (vi) below)	<b>2,735</b>	-
Satyam Computer Services (Shanghai) Co. Limited (Refer Note (iii) below) Less: Provision for Diminution in Value of Investment (Refer Note(vi) below)	<b>439</b> <b>251</b>	350 188
Satyam Computer Services (Nanjing) Co. Limited (Refer Note (iii) below) Less: Provision for Diminution in Value of Investment (Refer Note (vi) below)	<b>177</b> <b>177</b>	79 -
Nitor Global Solutions Limited (Refer Note 13.2 of Schedule 18) (700 "A" Shares of GBP 1.00 each fully paid-up, 300 "B" Shares of GBP 1.00 each fully paid-up)	<b>143</b>	122
Less: Provision for Diminution in Value of Investment (Refer Note (vi) below)	<b>143</b>	-
Satyam Computer Services (Egypt) S.A.E 10,500 Nominal Shares of USD 100 each, partly paid up	<b>11</b>	11
Less: Provision for Diminution in Value of Investment (Refer Note (vi) below)	<b>11</b>	-
Citisoft Plc (Refer Note 13.3 of Schedule 18) 11,241,000 Ordinary Shares of GBP 0.01 each, fully paid up	<b>1,131</b>	1,146
Less: Provision for Diminution in Value of Investment (Refer Note (vi) below)	<b>613</b>	518
Knowledge Dynamics Pte Ltd (Note 13.4 of Schedule 18) 10,000,000 Ordinary Shares of SGD 0.01 each, fully paid up	<b>197</b>	186
Less: Provision for Diminution in Value of Investment (Refer Note (vi) below)	<b>197</b>	-
Bridge Strategy Group LLC (Refer Note 13.5 of Schedule 18) Less: Provision for Diminution in Value of Investment (Refer Note (vi) below)	<b>1,082</b> <b>1,082</b>	-
Satyam Computer Services Belgium, BVBA (Refer Note 13.6 of Schedule 18) 185,500 Shares of EUR 0.10 each, fully paid up	<b>1</b>	
Less: Provision for Diminution in Value of Investment (Refer Note (vi) below)	<b>1</b>	-
<b>Sub-total (a)</b>	<b>895</b>	4,831

Contd.

**Schedules forming part of the Balance Sheet as at March 31, 2009**

		(Rs. in Million)	
		As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>b)</b>	<b>Investments in Other Subsidiaries - Long Term - Unquoted</b>		
	Satyam Venture Engineering Services Private Limited 3,544,480 Shares of Rs. 10 each, fully paid-up (Refer Note 6.11 of Schedule 18)	35	
<b>c)</b>	<b>Other Long Term Investments - Trade - Unquoted</b>		
	Satyam Venture Engineering Services Private Limited 3,544,480 Shares of Rs. 10 each, fully paid-up (Refer Note 6.11 of Schedule 18)	-	35
	C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) (Refer Note 13.1 of Schedule 18) (As at March 31, 2008 - 7,168,995) "As Published" (Refer Note 39 of Schedule 18) Equity Shares of Rs. 10 each, fully paid-up	-	72
	<b>Sub-total (c)</b>	-	107
<b>d)</b>	<b>Other Long Term Investments - Non-Trade - Unquoted</b>		
	Upaid Systems Limited (As at March 31, 2008 - Intouch Technologies Limited) "As Published" (Refer Note 39 of Schedule 18) 833,333 Shares of USD 0.20 each, fully paid-up	109	109
	Less: Provision for Diminution in Value of Investment	109	-
	National Savings Certificates, VIII Series (Rs. 6,000 (As at March 31, 2008 - Rs. 6,000 "As Published" Refer Note 39 of Schedule 18) Only) (Lodged as Security with Government Authorities)	-	-
	<b>Sub-total (d)</b>	-	-
<b>e)</b>	<b>Investments in Entities which are Liquidated / Dissolved</b>		
	<i>Investments in Wholly Owned Subsidiaries - Long Term - Unquoted</i>		
	Satyam (Europe) Limited (Refer Note (v) below) 1,000,000 Equity Shares of GBP 1 each, fully paid-up	70	70
	Less: Provision for Diminution in Value of Investment	70	-
	Satyam Japan KK (Refer Note (iv) below) 200 Common Stock of J Yen 50,000 each, fully paid-up	-	4
	Less: Provision for Diminution in Value of Investment	-	4
	Satyam Asia Pte Limited (Refer Note (iv) below) 400,000 Ordinary Shares of SGD 1 each, fully paid-up	-	10
	Less: Provision for Diminution in Value of Investment	-	10
	Dr. Millennium, Inc., (Refer Note (iv) below) 710,000 Common Stock of USD 1 each, fully paid-up	-	31
	Less: Received on Account of Reduction of Share Capital	-	30
	Less: Provision for Diminution in Value of Investment	-	1

Contd.





## Schedules forming part of the Balance Sheet as at March 31, 2009

	(Rs. in Million)	
	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
Vision Compass, Inc. (Refer Note (v) below)		
425,000,000 Common Stock of USD 0.01 each, fully paid-up	899	899
Less: Provision for Diminution in Value of Investment	899	899
Satyam IdeaEdge Technologies Private Limited (Refer Note (v) below)		
10,000 Equity Shares of Rs. 10 each, fully paid-up (Rs. 100,000 only)	-	-
Less: Provision for Diminution in Value of Investment (Rs. 100,000 only)	-	-
<i>Other Long Term Investments - Trade - Unquoted</i>		
Medbiquitous Services Inc., (Refer Note (v) below)		
334,000 Shares of 'A' Series preferred stock of US Dollars 0.001 each, fully paid-up	16	16
Less: Provision for Diminution in Value of Investment	16	16
Avante Global LLC., (Refer Note (v) below)		
577,917 Class 'A' Units representing a total value of USD 540,750	25	25
Less: Provision for Diminution in Value of Investment	25	25
Jasdic Park Company (Refer Note (iv) below)		
480 Shares of J Yen 50,000 each, fully paid-up	-	8
Less: Received on Liquidation	-	3
Less: Provision for Diminution in Value of Investment	-	5
<b>Sub-total (e)</b>	-	-
<b>Total (a) + (b) + (c) + (d)+(e)</b>	<b>930</b>	<b>4,938</b>
<b>Notes:</b>		
(i) Cost of Unquoted Investments		
- Gross of Provision for Diminution in the Value of Investments	7,400	
- Net of Provision for Diminution in the Value of Investments	930	
(ii) Refer Note 13.8 of Schedule 18 for details of Investments purchased and sold during the year		
(iii) Investment in these entities are not denominated in number of shares as per laws of the People's Republic of China		
(iv) The Company had received the approval from the Reserve Bank of India for writing off the investments in these entities in prior years, on account of the dissolution of these companies as per the laws of the respective countries. However, the Company has written off the net cost of investments amounting to Rs. 20 Million only during the year ended March 31, 2009.		
(v) These companies have been liquidated / dissolved as per the laws of the respective countries. However, the Company is awaiting approval from the Reserve Bank of India for writing off the investments from the books of the Company. The outstanding amount of investments in these companies have been fully provided for.		
(vi) Refer Note 13.9 of Schedule 18 for details of Provision for Diminution in Value of Investments recorded during the year.		

**Schedules forming part of the Balance Sheet as at March 31, 2009**

	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>(Rs. in Million)</b>		
<b>6. Sundry Debtors</b> (Refer Note 14.1 of Schedule 18)		
(Unsecured)		
Debts Outstanding for a Period Exceeding Six Months		
- Considered Good	1,058	616
- Considered Doubtful	3,142	
Other Debts		
- Considered Good	13,614	21,618
- Considered Doubtful	904	
Considered Doubtful		1,420
Less: Provision for Doubtful Debts (Refer Note (ii) below)	4,046	1,420
	<u>14,672</u>	<u>22,234</u>
<b>Notes:</b>		
(i) For details of Dues from Subsidiaries as at March 31, 2009, (Refer Note 19(i) of Schedule 18)		
(ii) Provision for Doubtful Debts as at March 31, 2009 includes Provision for Dues from Subsidiaries amounting to Rs. 471 Million. (Refer Note 19(iii) of Schedule 18)		
(iii) Debtors as at March 31, 2008 include dues from Subsidiaries Rs. 343 Million and Unbilled Revenues Rs. 2,764 Million. "As Published" (Refer Note 39 of Schedule 18)		
<b>7. Cash and Bank Balances</b>		
Cash on Hand (Rs. Nil) (As at March 31, 2008 - Rs. 0.42 Million - "As Published" Refer Note 39 of Schedule 18)	-	
Balances with Scheduled Banks		
- On Deposit Accounts (Refer Note below)	277	33,177
- On Current Accounts	1,488	9,563
- Unclaimed Dividend Accounts	80	70
Balances with Non-Scheduled Banks (Refer Note 18 of Schedule 18)		
- On Deposit Accounts (Refer Note below)	8	9
- On Current Accounts	2,223	1,798
	<u>4,076</u>	<u>44,617</u>
<b>Note:</b>		
Balances in Deposit Accounts with Banks represents Margin Money Deposits towards obtaining Bank Guarantees:		
- with Scheduled Banks	277	
- with Non-Scheduled Banks	8	



## Schedules forming part of the Balance Sheet as at March 31, 2009

	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>(Rs. in Million)</b>		
<b>8. Other Current Assets</b>		
Unbilled Revenue (Net) (Refer Notes 14.2 and 14.3 of Schedule 18)	2,782	
Interest Accrued on Bank Deposits	3	2,725
	<b>2,785</b>	<b>2,725</b>
<b>9. Loans and Advances</b>		
<u>Considered Good</u>		
Secured		
Loans (Rs. Nil) (As at March 31, 2008 - Rs. 0.20 Million) "As Published" (Refer Note 39 of Schedule 18)	-	
Unsecured (Refer Notes (i), (ii) and (iii) below)		
Loans/Advances to Subsidiaries	305	
Advances Recoverable in Cash or in Kind or for Value to be Received (Refer Note (iv) below)	1,814	2,620
Deposits	2,269	1,382
Balances with Government Authorities	216	
	<b>4,604</b>	<b>4,002</b>
<u>Considered Doubtful</u>		
Unsecured (Refer Notes (ii) and (iii) below)		
Loans/Advances to Subsidiaries	909	
Share Application Money towards Investments in Subsidiaries	1,348	
Advances Recoverable in Cash or in Kind or for Value to be Received	459	760
Deposits	83	
Others	31	
	<b>2,830</b>	<b>760</b>
Less: Provision for Doubtful Loans/Advances (Refer Note (v) below)	<b>2,830</b>	<b>760</b>
	-	-
	<b>4,604</b>	<b>4,002</b>
<b>Notes:</b>		
(i) Dues from Satyam Associate Trust (Refer Note 30 of Schedule 18)		
(ii) Dues from Directors (Refer Note 30 of Schedule 18)		
(iii) Dues from Officers	-	
(iv) Dues from Subsidiaries and the Maximum Amount Outstanding at any time during the Year (Refer Notes 19(ii) and 30 of Schedule 18)		
(v) Includes Provision for Dues from Subsidiaries (Refer Note 19(iii) of Schedule 18)	2,257	481
(vi) Advances Recoverable in Cash or in Kind or for Value to be Received as at March 31, 2008 includes advances and share application money to subsidiaries Rs. 202 Million "As Published" (Refer Note 39 of Schedule 18)		

**Schedules forming part of the Balance Sheet as at March 31, 2009**

	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>(Rs. in Million)</b>		
<b>10. Current Liabilities</b>		
Sundry Creditors		
- Dues to Micro Enterprises and Small Enterprises (Refer Note 20 of Schedule 18)	<b>18</b>	
- Dues to Others (Refer Note (i) below)	<b>9,168</b>	6,517
Advances from Customers	<b>576</b>	12
Unearned Revenue (Refer Note 14.7 of Schedule 18)	<b>759</b>	1,328
Other Liabilities (Refer Note (ii) below)	<b>2,308</b>	980
Investor Education and Protection Fund shall be credited by the following amounts - Unclaimed Dividends (Refer Note (iii) below)	<b>80</b>	70
	<b>12,909</b>	<b>8,907</b>
<b>Notes:</b>		
(i) Dues to Subsidiaries (Refer Note 30 of Schedule 18)		
(ii) Includes Mark-to-market losses on forward exchange contracts and other derivative contracts (Refer Note 36 of Schedule 18)	<b>1,101</b>	
(iii) There are no amounts outstanding and due as at March 31, 2009 to be credited to Investor Education and Protection Fund		
<b>11. Provisions</b>		
Provision for Employee Benefits (Refer Note 28 of Schedule 18)	<b>2,855</b>	2,314
Provision for Warranties (Refer Note 35.1 of Schedule 18)	<b>105</b>	
Provision for Contingencies (Refer Note 35.2 of Schedule 18)	<b>4,750</b>	
Provision for Taxation (Less Payments)	<b>4,371</b>	1,227
Proposed Dividend (including tax thereon)	<b>-</b>	1,961
	<b>12,081</b>	<b>5,502</b>
<b>12. Unexplained Differences Suspense Account (Net)</b>		
<i>Forensic Related Amounts</i>		
Opening Balance Differences (Net) as at April 1, 2002 (Refer Note 3.3 (ii) of Schedule 18)	<b>11,221</b>	
Other Differences (Net) between April 1, 2002 and March 31, 2008 (Refer Note 3.3 (ii) of Schedule 18)	<b>166</b>	
	<b>11,387</b>	
Less: Provision Charged as Prior Period Adjustments (Refer Notes 3.3(ii) and 3.4 of Schedule 18)	<b>11,387</b>	-
Other Differences (Net) between April 1, 2008 and December 31, 2008 (Refer Notes 3.3(ii) and 3.4 of Schedule 18)	<b>7</b>	
Less: Provision Charged as Current Year Expenditure (Refer Note 35.3 of Schedule 18)	<b>7</b>	-
<i>Other Amounts</i>		
Other Differences (Net) (Refer Note 9.3 of Schedule 18)	<b>27</b>	
Less: Provision Charged as Current Year Expenditure (Refer Note 35.3 of Schedule 18)	<b>27</b>	-
	<b>-</b>	<b>-</b>



## Schedules forming part of the Profit and Loss Account for the Year Ended March 31, 2009

	(Rs. in Million)	
	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
<b>13. Income from Operations</b> (Refer Note 14 of Schedule 18)		
Information Technology and Consulting Services		
- Overseas/Exports	79,621	78,892
- Domestic	3,251	2,481
Sale of Hardware Equipments and Other Items (Refer Note 14.5 of Schedule 18)		
- Overseas/Exports	1,079	
- Domestic	111	
	<u>84,062</u>	<u>81,373</u>
<b>14. Other Income</b>		
Interest on Bank Deposits and Advances	14	2,700
(Tax Deducted at Source - Rs 1 Million, Previous Year - Rs 610 Million)		
"As Published" (Refer Note 39 of Schedule 18)		
Dividend from Wholly Owned Subsidiaries - Long Term (Gross)	35	
Liabilities / Provisions No Longer Required Written Back	248	
(Refer Note 15 of Schedule 18)		
Revenue Grants from Government Authorities (Refer Note 27 of Schedule 18)	263	
Gain / (Loss) on Exchange Fluctuations (Net)		(207)
Miscellaneous Income	57	79
	<u>617</u>	<u>2,572</u>
<b>15. Personnel Expenses</b>		
Salaries and Bonus	50,837	45,962
Contribution to Provident and Other Funds	3,873	3,426
Gratuity (Refer Note 28.1 of Schedule 18)	343	
Staff Welfare Expenses	1,142	215
Employee Stock Compensation Expense (Refer Note 10 of Schedule 18)	628	853
	<u>56,823</u>	<u>50,456</u>
Less: Reimbursements/Recovery from Customers	275	
(Refer Note 14.9 of Schedule 18)	<u>56,548</u>	<u>50,456</u>
<b>16. Operating and Administration Expenses</b>		
Cost of Hardware Equipment and Other Items Sold (Refer Note below)	1,549	
Rent	2,080	1,260
Rates and Taxes	153	268
Power and Fuel	616	470
Insurance	147	157
Travelling and Conveyance	4,394	4,608
Communication	1,156	815
Printing and Stationery	41	82
Advertisement	52	50
Marketing Expenses (Refer Note 16 of Schedule 18)	1,121	825
Sub-Contracting Costs (Net)	4,162	
Repairs and Maintenance		
(i) Buildings	62	37
(ii) Machinery	492	207
(iii) Others	610	298
Software Charges	455	161

Contd.

**Schedules forming part of the Profit and Loss Account for the Year Ended March 31, 2009**

	(Rs. in Million)	
	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 39 of Schedule 18)
Security Services	102	79
Donations and Contributions	38	67
Subscriptions	79	51
Training and Development	173	345
Research and Development	-	15
Visa Charges	544	423
Legal and Professional Charges	2,430	1,812
Directors' Sitting Fees (Refer Note 21 of Schedule 18)	-	1
Managerial Remuneration (Refer Note 21 of Schedule 18)		
(i) Salaries	6	39
(ii) Commission	-	3
(iii) Contribution to Provident and Other Funds	1	1
(iv) Others	-	3
Auditors' Remuneration (Refer Note 22 of Schedule 18)	72	37
Tax Deducted at Source Written Off	37	
Investments Written Off	20	
Less: Provision Released	(20)	
	-	
Loss on Sale of Fixed Assets (Net)	323	18
Provision for Capital Work in Progress (Refer Note 12.7 of Schedule 18)	587	
Provision for Doubtful Debts (Refer Note 14.1 of Schedule 18)	2,626	308
Provision for Doubtful Advances	2,070	
Provision for Warranty (Refer Note 35.1 of Schedule 18)	105	
Provision for Unexplained Differences (Refer Note 35.3 of Schedule 18)	34	
Loss on Exchange Fluctuations (Net)		
- On Forward Contracts and other Derivative Contracts (Refer Note 36 of Schedule 18)	4,632	
- On Others	398	
Miscellaneous Expenses	194	193
	31,541	12,633
Less: Reimbursements/Recovery from Customers (Refer Note 14.9 of Schedule 18)	1,480	
	30,061	12,633
<b>Note:</b>		
Cost of Hardware Equipment and Other Items Sold:		
Opening Stock	-	
Add: Purchases	1,559	
Less: Closing Stock	10	
(Refer Notes 14.5, 14.10 and 37 of Schedule 18)	1,549	
<b>17. Interest and Finance Charges</b>		
Interest on Fixed Term Loans	39	
Interest on Picking Credit Loans	34	
Interest on Other Loans	33	
Bank Charges	113	
Other Finance Charges	171	
Financial Expenses	-	59
	390	59





## Schedules forming part of Accounts for the Year Ended March 31, 2009

### Schedule 18 - Notes to Accounts

#### 1. Background

Satyam Computer Services Limited (hereinafter referred to as 'SCSL' or '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 offers a comprehensive range of IT services, including IT enabled services, application development and maintenance, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. SCSL 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.

#### 2. Significant accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements are prepared in accordance with the generally accepted accounting principles in India (GAAP) under the historical cost convention. GAAP includes mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended) / issued by the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of the Companies Act, 1956 ('the Act').

Accounting policies have been consistently applied except in cases where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use. Where a change in accounting policy is necessitated due to changed circumstances, detailed disclosures to that effect alongwith the impact of such change is duly disclosed in the financial statements.

Certain accounting policies have been elaborated to reflect the actual practice followed by the Company for a better understanding of the same.

##### 2.2 Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make 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 income and expenses during the reporting period like useful lives of fixed assets, provision for doubtful debts/advances, provision for diminution in value of investments, provision for employee benefits, future contracts costs expected to be incurred to complete the projects, provision for anticipated losses on contracts, provision for warranties/discounts, allowances for certain uncertainties, provision for taxation, provision for contingencies etc. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the financial statements.

##### 2.3 Inventories

Inventories comprising of traded hardware equipments and other items are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis. Cost includes material cost, freight and other incidental expenses incurred in bringing the inventory to the present location/condition.

##### 2.4 Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with banks with an original maturity of three months or less.

##### 2.5 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

##### 2.6 Revenue recognition

###### *Income from operations*

Revenue from services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognised as and when the services are rendered and related costs are incurred and when there is no uncertainty in realising the same.

Revenue from fixed price, fixed time frame contracts are recognised using the percentage of completion method of accounting. The percentage of completion is determined by relating the actual project cost of work performed to date to the estimated total project cost for each contract. Total contract cost is determined based on technical and other assessment of cost to be incurred. 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 contracts are made during the period in which a loss becomes probable and can be reasonably estimated.

Liquidated damages and penalties are accounted as per the contract terms wherever there is a delayed delivery attributable to the Company and when there is a reasonable certainty with which the same can be estimated.

Revenues from the sale of hardware equipments and other items are recognised upon delivery/deemed delivery, which is when title passes to the customer.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenue is net of volume discounts/price incentives which are estimated and accounted for based on the terms of the contracts, and also net of applicable indirect taxes.

Amounts received or billed in advance of services performed are recorded as advances from customers/ unearned revenue.

Unbilled revenue represents amounts recognised based on services performed in advance of billing in accordance with contract terms and is net of estimated allowance for uncertainties and provisions for estimated losses.

Revenue recognition is based on the terms and conditions as per the contracts entered into with the customers. In respect of expired contracts under renewal or where there are no contracts available, revenue is recognised based on the erstwhile contract/provisionally agreed terms and/or understanding with the customers.

#### *Interest income*

Interest income is recognised using the time proportion method, based on the transactional interest rates.

#### *Dividend income*

Dividend income is recognised when the Company's right to receive dividend is established.

## **2.7 Post-sales client support and warranties**

Post-sales client support and warranty costs are estimated by the Management on the basis of technical evaluation and past experience of costs. Provision is made for the estimated liability in respect of warranty costs in the year of recognition of revenue and is included in the Profit and Loss account. The estimates used for accounting for warranty costs are reviewed periodically and revisions are made as and when required.

## **2.8 Fixed assets**

Fixed assets are stated at actual cost less accumulated depreciation and net of impairment. The actual cost capitalised includes material cost, freight, installation cost, duties and taxes, eligible borrowing costs 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 Act. Depreciation is charged on a pro-rata basis from the date of capitalisation. Individual assets costing Rs.5,000 or less are fully depreciated in the year of acquisition.

The estimated useful lives are as follows

Leasehold Land	Over the lease period of 30 to 99 years
Buildings	28 years
Plant and Machinery	
- Computers	2 years
- Taken on Finance Lease	Lower of 5 years and lease period
- Others	5 years
Furniture, Fixtures and Interiors	
- Taken on Finance Lease	Lower of 5 years and lease period
- Improvements to Leasehold Premises	Over the primary lease period
- Own Premises	5 years
Office Equipments	5 years
Vehicles	5 years

Depreciation is accelerated on fixed assets, based on their condition, usability etc, as per the technical estimates of the Management, where necessary.

The cost 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.



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.

#### *Intangible assets*

Intangible assets, including computer software, are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Intangible assets are amortised over their respective individual estimated useful lives (generally one to three years) on a straight line basis or over the license period (where applicable), whichever is lower.

### **2.9 Foreign currency transactions/translations**

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the Balance Sheet date and the resultant gain or loss is recognised in the Profit and Loss account. Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

Gains or losses realized upon settlement of foreign currency transactions are recognised in the Profit and Loss account.

The operations of foreign branches of the Company are integral in nature and the financial statements of these branches are translated using the same principles and procedures as those of the head office.

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract (other than for a firm commitment or a highly probable forecast) or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Profit and Loss account in the year in which the exchange rates change. Any profit or loss arising on cancellation of such a contract is recognised as income or expense for the year.

The Company uses forward/option contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of forward contracts is governed by the Company's policies on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Forward contracts in the nature of derivatives are marked to market, wherever required, as at the Balance Sheet date and provision for losses, if any, is dealt with in the Profit and Loss account. Unrealised gains, if any, on such derivatives are not recognised in the Profit and Loss account.

### **2.10 Government grants**

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of the assets. The grant is recognised as income over the life of the depreciable asset by way of reduced depreciation charge. Grants in the nature of capital subsidy are treated as capital reserve based on receipt/eligibility.

Grants related to revenue are accounted for as other income in the period in which the related costs which they intend to compensate are accounted for to the extent there is no uncertainty in receiving the same. Incentives which are in the nature of subsidies given by the Government which are based on the performance of the Company are recognised in the year of performance/eligibility in accordance with the related scheme.

Government grants in the form of non-monetary assets, given at a concessional rate are accounted for at their acquisition costs.

### **2.11 Investments**

Investments are classified into current investments and long-term investments based on their nature/holding period/Management's intent etc at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost less provision made to recognise any decline, other than temporary, in the value of such investments. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the Profit and Loss account.

### **2.12 Employee benefits**

#### *Defined contribution plans*

Contributions payable to the recognised provident fund and pension fund maintained with the Central Government and superannuation fund, which are defined contribution schemes, are charged to the Profit and Loss account on accrual basis. The Company has no further obligations for future provident fund and superannuation fund benefits other than its annual contributions.

#### *Defined benefit plans*

The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year using the Projected Unit Credit method. Actuarial gains and losses are charged to the Profit and Loss account in the period in which they arise. Obligation under the defined benefit plan is measured at the present value of the estimated future cash flow using a discount rate that is determined by reference to the prevailing market yields at the Balance Sheet date on Indian Government Bonds where the currency and terms of the Indian Government Bonds are consistent with the currency and estimated term of the defined benefit obligation.

#### *Compensated absences*

The Company accounts for its liability towards compensated absences based on actuarial valuation done as at the Balance Sheet date by an independent actuary using the Projected Unit Credit method. The liability includes the long term component accounted on a discounted basis and the short term component which is accounted for on an undiscounted basis.

#### *Other short term employee benefits*

Other short-term employee benefits, including overseas social security contributions and performance incentives expected to be paid in exchange for the services rendered by employees, are recognised during the period when the employee renders the service.

### **2.13 Associates stock options scheme**

Stock options granted to the associates (employees) are accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 ('ESOP Guidelines') issued by Securities and Exchange Board of India ('SEBI') and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. The compensation cost, if any, is amortised over the vesting period of the options.

### **2.14 Borrowing costs**

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised. Other borrowing costs are recognised as expense in the Profit and Loss account.

### **2.15 Leases**

Assets taken on lease by the Company in the capacity of a lessee, where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss account on a straight line basis.

### **2.16 Earnings per share**

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extra ordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of any extra ordinary items, if any) by the weighted average number of equity shares considered for deriving basic earnings per share 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, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### **2.17 Taxes on income**

The current income tax charge is determined in accordance with the relevant tax regulations applicable to the Company. Deferred tax charge or credits are recognised for the future tax consequences attributable to timing differences that result between the profit/(loss) offered for income taxes and the profit as per the financial statements.

Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognised in the year in which the timing differences originate. For this purpose the timing differences which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, when there is a brought forward loss or unabsorbed depreciation under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realised.

The Company offsets, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and intends to settle such assets and liabilities on a net basis.

#### *MAT credit*

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset, in accordance with the provisions contained in the Guidance Note on Accounting for Credit Available under Minimum Alternative Tax, issued by the ICAI, the said asset is created by way of a credit to the Profit and Loss account and shown as "MAT Credit Entitlement". The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit



Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

#### *Fringe benefit tax*

In accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI, the Company has made provision for FBT under income taxes.

The Finance Act, 2007 introduced FBT on employee stock options. The Company recovers such FBT from the employees, upon the exercise of the stock options. The estimated FBT liability and related recovery is recorded at the time of exercise of options in the Profit and Loss account.

Also refer Note 8.1(viii) of Schedule 18 with respect to change in accounting for FBT on employee stock options.

### **2.18 Research and development**

Research costs are expensed as incurred. Development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use the asset and the costs can be measured reliably.

### **2.19 Impairment**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined if no impairment loss had been recognised.

### **2.20 Provisions and contingent liabilities**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

### **2.21 Insurance claims**

Insurance claims are accounted for on the basis of claims admitted/expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

### **2.22 Service tax input credit**

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing/utilising the credits.

## **3. Financial irregularities**

### **3.1 Overview**

On January 7, 2009, in a communication ('the letter') addressed to the then-existing Board of Directors of the Company and copied to the stock exchanges and the Chairman of SEBI, the then Chairman of the Company, Mr. B. Ramalinga Raju ('the erstwhile Chairman') admitted that the Company's Balance Sheet as at September 30, 2008 carried an inflated cash and bank balances, non-existent accrued interest, an understated liability and an overstated debtors position. As per the letter, the gap in the Company's Balance Sheet had arisen purely on account of inflated profits over a period of last several years (limited only to Satyam standalone).

In the events following the letter of the erstwhile Chairman, the Honourable Company Law Board ('Honourable CLB') passed orders to suspend the then existing Board of Directors of the Company with immediate effect and authorised the Central Government to nominate directors on the Company's Board. Pursuant to the above orders, the Ministry of Corporate Affairs ('MCA') - Government of India ('GOI'), nominated 6 directors on the Board of the Company.

Vide a letter dated January 13, 2009, the erstwhile auditors of the Company, M/s Price Waterhouse, Chartered Accountants, communicated to the Board of Directors of the Company, that their audit reports issued on the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon.

The Government nominated Board of Directors appointed an independent counsel ('Counsel') to conduct an investigation of the financial irregularities that would enable preparation of the financial statements of the Company. The Counsel appointed forensic accountants to assist in the investigation (referred to as 'forensic investigation') and preparation of the financial statements.

The sub-paragraphs below detail the findings, effects and other matters relating to the financial irregularities of the earlier management headed by the erstwhile Chairman ('erstwhile management').

### 3.2 Limitations

The scope of the forensic investigation required investigating the accounting records of the Company to identify the extent of financial irregularities. There could be other instances of possible diversion that remain undetected. The following were the significant limitations in the forensic investigation, as stated in the report of the forensic accountants who carried out the forensic investigation, which would impact identifying the full extent of the financial irregularities:

- (i) Certain documents and information were either unavailable or could not be located. There was evidence suggesting that information might have been deleted or destroyed during the period leading to the date of the letter. Further, several documents are in the possession of Government agencies and were not freely accessible for the purpose of the forensic investigation. Limited and controlled access was granted only at a developed stage of the forensic investigation.
- (ii) Lack of access to key former employees and the previous auditors of the Company including those arrested by the law enforcement agencies or the information stored on their computer hard drives/other records found to be in their possession. The computer records of the erstwhile Chairman, the Managing Director and the Chief Financial Officer of the Company were also unavailable.
- (iii) As both the erstwhile Chairman and Managing Director were authorised to open bank accounts and had sole signatory powers on most bank accounts of the Company, it is possible that there are undisclosed bank accounts in which funds could have been diverted. The forensic investigation identified five bank accounts whose existence could not be confirmed by the Management.
- (iv) Company employees could have been deployed on projects that were billed outside the accounting system of the Company. Collections could have been diverted from customers on these projects to bank accounts outside the knowledge of the Company.
- (v) Discharged cheques were not available in all instances and, hence, the forensic investigation was not able to verify that beneficiary information in the Company's records accorded with that on the cheque instruments.

### 3.3 Nature of financial irregularities

The forensic investigation conducted by forensic accountants focused on the period from April 1, 2002 to September 30, 2008, being the last date upto which the Company published its financial results. In certain instances, the forensic accountants conducted investigation procedures outside this period. The forensic investigation revealed that the Company had a complex accounting and financial reporting framework, which coupled with multiple non-integrated financial systems enabled perpetration of financial irregularities. The irregularities were substantial in amount, perpetrated across multiple accounting periods and affecting many areas including *inter alia* revenue, foreign exchange gains, interest and other expenses with respect to the Profit and Loss account. It also affected debtors, cash and bank, other current assets and reserves and surplus with respect to the Balance Sheet.

- (i) Specific financial irregularities as identified

The nature of specific financial irregularities can be classified into two categories

- *Fictitious entries entered in the accounting records of the Company:* These primarily involved recognition of fictitious revenue and interest income, which ultimately resulted in creation of fictitious cash and bank balances and receivables.
- *Unrecorded transactions:* A number of real transactions (movements into and out of the bank accounts) were omitted from the accounting records of the Company.

The overall impact of fictitious entries and unrecorded transactions arising out of the forensic investigation, to the extent determined, is set out as under:

	Reference	(Rs. in Million) Amount
<b>Transactions impacting the Profit and Loss account during the period from April 1, 2002 to September 30, 2008*</b>		
<i>Fictitious entries entered in the accounting records of the Company affecting</i>		
Revenue	a	53,528
Interest income	b	8,998
Exchange gain (net)	c	2,061
Salary costs	d	(2,071)
Others	e	(179)
<i>Unrecorded transactions affecting</i>		
Interest on bank borrowings	f	175
Salary costs	d	5,004
Others	e	115
<b>Total</b>		<b>67,631</b>





(Rs. in Million)

	Reference	Amount
<b>Transactions impacting the Balance Sheet only **</b>		
<i>Fictitious entries entered in the accounting records of the Company affecting</i>		
Advance tax payments	g	3,061
<i>Unrecorded transactions affecting</i>		
Advance tax payments(net)	g	(498)
Bank borrowings	f	1,392
		<b>3,955</b>
<b>Overall impact on the Balance Sheet as at September 30, 2008 on account of the above items</b>		
Cash and bank	a to g	52,947
Debtors	a,c	5,010
Accrued interest	b	3,757
Withholding taxes	b	1,970
Advance tax payments	g, c	2,557
Bank borrowings	f	1,392
Other liabilities	a	(2)
<b>Total</b>		<b>67,631</b>

\*Positive amount reflects fictitious income / unrecorded payments while negative amount reflects fictitious outflow / unrecorded receipts

\*\* Positive amount reflects overstatement of assets/understatement of liability and vice versa on account of fictitious and unrecorded transactions

- Revenue:** The fictitious revenue was recorded by creation of false invoices by circumventing the normal revenue recognition cycle. The transactions were recorded using the financial systems in a manner that allowed camouflaging the irregularity. After creating the fictitious revenue, fictitious cash collections were shown as collections from customers. In order to substantiate these fictitious collections, forged bank statements and fixed deposit receipts were also prepared. Fictitious revenue aggregating Rs. 53,528 Million was recorded over the period from April 1, 2002 to September 30, 2008, of which Rs. 48,702 Million was translated into fictitious cash and bank balances. The difference amounting to Rs. 4,826 Million comprises of Rs. 4,828 Million of debtors net of other liabilities of Rs. 2 Million. In addition, there was fictitious unrealised exchange gain of Rs. 182 Million on fictitious debtors which was recognised, resulting in total fictitious debtors of Rs. 5,010 Million.
- Interest income:** Fictitious interest income was recorded in respect of fictitious fixed deposit balances. Total fictitious interest income aggregating Rs. 8,998 Million was recognised over the period from April 1, 2002 to September 30, 2008. Of the above fictitious interest recognised, Rs. 3,271 Million was translated into fictitious cash and Rs. 1,970 Million was fictitiously recorded as withholding tax on such interest income. The difference amounting to Rs. 3,757 Million was reflected as accrued interest as at September 30, 2008. In addition an amount of Rs. 324 Million was accounted as interest accrued for the period from October 1, 2008 to December 31, 2008.
- Exchange gain (net):** Fictitious exchange gain (net) amounting to Rs. 2,061 Million was recognised over the period from April 1, 2002 to September 30, 2008 primarily by restatement of fictitious cash and bank balances, fictitious interbank transfers and collections. The above fictitious exchange gain (net of exchange losses) resulted in increasing fictitious debtors by Rs. 182 Million, cash and bank balances by Rs. 1,885 Million and decrease in advance taxes by Rs. 6 Million.
- Salary costs:** Net salary costs aggregating Rs. 2,933 Million were not recorded in the books of account resulting in fictitious cash and bank balances of Rs. 2,933 Million.
- Others:** Others (net expense) aggregating Rs. 64 Million was on account of fictitious interest in relation to fictitious and unrecorded tax payments/refund identified (refer note (g) below). The same resulted in understatement of cash and bank balances by Rs. 64 Million.
- Bank borrowings (including interest thereon):** There were unrecorded bank loans taken during the period from April 1, 2002 to September 30, 2008 aggregating Rs. 7,201 Million. The Company had effected unrecorded repayments to the extent of Rs. 5,809 Million. The outstanding balance of Rs. 1,392 Million as at September 30, 2008 was repaid in December 2008. Unrecorded interest expenses in respect of such loans amounted to Rs. 175 Million, resulting in fictitious cash and bank balances.
- Tax payments:** There were certain fictitious tax payments (Advance tax and US federal tax), which were recorded in the books of account aggregating Rs. 3,061 Million. Further, there were genuine tax payments/ refunds (net), unrecorded to the extent of Rs. 498 Million. The Management has evaluated the unrecorded tax payments in the overall context of tax related matters. Refer Note 6.6 of Schedule 18.

(ii) Financial irregularities where complete information is not available

These transactions were either improperly recorded in the accounting records or remained unrecorded. In addition, since the forensic investigation focused on the period from April 1, 2002 onwards, there were fictitious balances (cash and bank and debtors) and unrecorded liabilities where details remain unavailable. The details of such items are given below:

- a) The forensic investigation identified fictitious cash and bank balances (Rs.9,964 Million), debtor balances (Rs. 557 Million) and unrecorded loans (Rs. 700 Million) originating in periods prior to April 1, 2002 aggregating Rs. 11,221 Million (net debit) which resulted in a net opening balance difference of Rs 11,221 Million as at April 1, 2002. In the absence of complete information, the amount aggregating Rs. 11,221 Million has been accounted under "Unexplained Differences Suspense Account (Net)" in the Balance Sheet (Refer Schedule 12).
- b) The forensic investigation also identified certain transactions aggregating Rs. 166 Million (net debit) (comprising of Rs. 2,444 Million of gross debits and Rs. 2,278 Million of gross credits) during the period from April 1, 2002 to March 31, 2008 and Rs. 7 Million (net debit) (comprising of Rs. 12 Million of gross debits and Rs. 5 Million of gross credits) during the period from April 1 to December 31, 2008 which remain unidentified primarily due to lack of substantive documents. Accordingly, the amounts of Rs. 166 Million and Rs. 7 Million have been accounted under "Unexplained Differences Suspense Account (Net)" in the Balance Sheet (Refer Schedule 12).

The Company, on grounds of prudence, has provided for the opening balance differences (net) of Rs 11,221 Million as at April 1, 2002 and other differences (net) of Rs. 166 Million during the period from April 1, 2002 to March 31, 2008 as Prior Period Adjustments (Refer Note 3.4 (ii) of Schedule 18) and has also provided for the other differences (net) of Rs. 7 Million relating to the period from April 1 to December 31, 2008 as a current year charge under Provision for Unexplained Differences (Refer Note 35.3 of Schedule 18).

- c) The forensic investigation has so far been unable to identify the nature of certain alleged transactions aggregating Rs. 12,304 Million (net receipt) against which the Company has received legal notices from 37 companies claiming repayment of this amount which was allegedly given as temporary advances. Refer Note 6.1 of Schedule 18 for details.

(iii) Prior period errors

Certain additional adjustments in the nature of errors relating to the periods prior to April 1, 2008 were recorded in the financial statements as prior period adjustments by the Management to the extent identified.

The key areas of prior period errors impacting the Profit and Loss account are set out as under:

		<i>(Rs. in Million)</i>
S.No	Particulars	Amount [Debit/ (Credit)]
(i)	Adjustment to revenue on account of unbilled revenue, unearned revenue and credit notes (Refer Notes 14.3, 14.7 and 14.8 of Schedule 18)	(1,608)
(ii)	Timing of asset capitalization and resultant impact on depreciation (Refer Note 12.1 of Schedule 18)	678
(iii)	ASOP costs (Refer Note 10.1 of Schedule 18)	186
(iv)	Marketing Expenses (Refer Note 16 of Schedule 18)	143
(v)	Others	(195)
	<b>Total</b>	<b>(796)</b>

Also refer Note 8.1(viii) of Schedule 18 in respect of accounting for FBT on ASOPs, Note 12.7 of Schedule 18 regarding accounting for ERP Software and Note 13.3 of Schedule 18 on accounting for Citisoft investment.

### 3.4 Accounting for financial irregularities and prior period errors

- (i) The overall impact of the financial irregularities detailed in Note 3.3 of Schedule 18 above is summarised as under:

				<i>(Rs. in Million)</i>
Particulars	Relating upto April 1, 2008 (Refer Note 3.4(ii) of Schedule 18)	Relating to period subsequent to April 1, 2008 (Refer Note 3.4(iii) of Schedule 18)	Total	
<b>Specific Financial Irregularities as identified</b>				
Revenue	41,760	11,768	53,528	
Interest income (including Rs. 324 Million referred to in Note 3.3(i)(b) of Schedule 18)	7,657	1,665	9,322	
Exchange (loss)/gain	(684)	2,745	2,061	
Interest on bank borrowings	174	1	175	
Net salary costs	2,933	-	2,933	
Others	(3)	(61)	(64)	
<b>Sub-total (A)</b>	<b>51,837</b>	<b>16,118</b>	<b>67,955*</b>	

Contd.



Particulars	<i>(Rs. in Million)</i>		
	Relating upto April 1, 2008 (Refer Note 3.4(ii) of Schedule 18)	Relating to period subsequent to April 1, 2008 (Refer Note 3.4(iii) of Schedule 18)	Total
<b>Financial Irregularities where complete information not available</b>			
Opening balance differences (net) as at April 1, 2002	11,221	-	11,221
Other differences (net) subsequent to April 1, 2002	166	7	173
<b>Sub-total (B)</b>	<b>11,387</b>	<b>7</b>	<b>11,394**</b>
<b>Total Financial Irregularities - (A+B)</b>	<b>63,224</b>	<b>16,125</b>	<b>79,349</b>
Prior period errors (C)	(796)	-	(796) ***
<b>Total (A+B+C)</b>	<b>62,428</b>	<b>16,125</b>	<b>78,553</b>

\* Rs. 67,631 Million (Refer Note 3.3(i) of Schedule 18) plus Rs. 324 Million (Refer Note 3.3(i)(b) of Schedule 18).

\*\* Refer Note 3.3(ii) of Schedule 18.

\*\*\*Refer Note 3.3(iii) of Schedule 18.

- (ii) Adjustments pertaining to the period upto April 1, 2008 (prior period adjustments):

As stated in Note 3.3 of Schedule 18, several adjustments resulting from financial irregularities and errors, relate to periods prior to April 1, 2008. The Company has recorded these adjustments amounting to Rs. 62,428 Million in the Profit and Loss account as prior period adjustments. This disclosure is pursuant to the order dated October 16, 2009 of the Honourable CLB, and is also in accordance with Accounting Standard 5 - "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

- (iii) Adjustments pertaining to the period subsequent to April 1, 2008:

The adjustments resulting from financial irregularities relating to the period subsequent to April 1, 2008 aggregating Rs. 16,125 Million is adjusted to the specific captions in the Profit and Loss account as current year items.

### 3.5 Investigation by authorities in India

Pursuant to the events stated in Note 3.1 of Schedule 18, various regulators/ investigating agencies such as the Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO)/Registrar of Companies (ROC), SEBI, Directorate of Enforcement (ED) etc., have initiated their investigation on various matters pertaining to the Company which are ongoing.

The CBI has initiated legal proceedings before the Additional Chief Metropolitan Magistrate for Trial of Satyam Scam Cases, Hyderabad (ACMM) and has filed certain specific charge sheets against the erstwhile Chairman and others based on its findings so far.

The SFIO has submitted its reports relating to various findings and has also commenced prosecution against the Company for two alleged violations before the Economic Offenses Court, Hyderabad against the Company and others. The Company has filed a compounding application with respect to the alleged violations.

### 3.6 Investigation on round tripping

The investigating agencies in India and the Securities and Exchange Commission (SEC) of the United States of America (USA), are currently investigating matters such as round tripping pertaining to periods prior to April 1, 2002. While no specific information was available with respect to outflow of funds, information received from investigative agencies revealed that out of 29 inward remittances from an entity registered in a tax haven aggregating USD 28.41 Million, it is possible that 20 of these inward remittances aggregating USD 17.04 Million may have been used to set off outstanding invoices.

Also refer Note 3.3(ii) of Schedule 18 above.

### 3.7 Other matters

- i. Suspension/ termination of erstwhile management

Subsequent to the January 7, 2009 letter of the erstwhile Chairman, the Honourable CLB vide its order dated January 9, 2009 suspended the erstwhile Board of Directors including the erstwhile Chairman, Mr. B. Ramalinga Raju, and the former Managing Director, Mr. B. Rama Raju, with immediate effect. Further, the Company terminated the former Chief Finance Officer, Mr. Srinivas Vadlamani, with effect from January 8, 2009 and subsequent to the year end also terminated the former Vice President, Mr. G. Ramakrishna, the former Global Head of Internal Audit, Mr. V.S.P. Gupta, the former Assistant Manager (Finance), Mr. C H Srisailam, and the former Senior Manager (Finance), Mr. D. Venkatapathi Raju.

The CBI filed charge sheets accusing the above former directors and employees of cheating, forgery of accounts, forgery for the purpose of cheating, using forged documents as genuine, falsification of accounts and criminal conspiracy punishable under the Indian Penal Code. The trial is ongoing before the ACMM.

The Company also suspected an ex-employee of the Company for diverting the Company's resources through sub-contracting entities controlled by him. As the suspected diversion related to the period when the erstwhile Management was in the control of the Company the same was brought to the immediate notice of the CBI by the Company for appropriate action.

ii. Non-reliance on audit report issued by Price Waterhouse

The Company had appointed M/s Price Waterhouse, Chartered Accountants ('PW' or 'the previous auditors') as the statutory auditors of the Company with effect from May 26, 2000. The previous auditors conducted the audit of the Company from the quarter ended June 30, 2000 to the quarter ended September 30, 2008 ('audit period'). After the letter of the erstwhile Chairman, the previous auditors vide their letter dated January 13, 2009 stated that their audit reports and opinions in relation to the financial statements for the audit period can no longer be relied upon.

The CBI has filed a charge sheet against Mr. S.Gopala Krishnan and Mr. Talluri Srinivas, partners of PW, for committing offense of cheating, forgery, using forged documents as genuine, criminal conspiracy and falsification of accounts, fabrication of documents, among other offences punishable under law. The trial is ongoing before the ACMM.

iii. Possible diversion of funds for American Depository Shares (ADS) proceeds

The forensic investigation has indicated possible diversion aggregating USD 41 Million so far from the proceeds of the ADS which were listed with the New York Stock Exchange in May 2001. The forensic investigation revealed that there were three areas of payments from the ADS proceeds where possibility of diversion cannot be excluded. These are set out below:

Description	USD Million
Payments to banks	22
Payments to other entities	9
Cash outflows for which beneficiary details are unknown	10
<b>Total</b>	<b>41</b>

iv. The forensic investigation has not come across evidence suggesting that the financial irregularities, as identified, extended to the Company's subsidiaries and its joint venture.

### 3.8 Documents seized by CBI/other authorities

Pursuant to the investigations conducted by CBI/other authorities, most of the relevant documents in possession of the Company were seized by the CBI. On a petition filed by the Company, the ACMM, vide its order dated April 23, 2010 had granted partial access to the Company including for taking photo copies of the relevant documents as may be required in the presence of the CBI officials. Further, there were also certain documents which were seized by other authorities such as the Income Tax Authorities, of which the Company could only obtain photo copies.

### 3.9 Management's assessment of the identified financial irregularities

As per the assessment of the Management, based on the forensic investigation carried out through an independent counsel/forensic accountants (Refer Note 3.1 of Schedule 18) and the information available at this stage, all identified/required adjustments/disclosures arising from the identified financial irregularities, have been made in the financial statements (Refer Note 3.4 of Schedule 18).

Since matters relating to several of the financial irregularities are *sub judice* and the various investigations are ongoing, any further adjustments/disclosures, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

## 4. Honourable CLB Orders

Subsequent to the letter by the erstwhile Chairman of the Company (as referred to in Note 3 of Schedule 18), the Union of India filed a petition before the Honourable CLB invoking the provisions of Sections 388B, 397, 398, 401 to 408 of the Act, pursuant to which the Honourable CLB has, vide its powers conferred under Section 388C read with Section 388B and also under Section 403 read with Sections 397/398 of the Act, passed various orders relating to the affairs of the Company which are summarised below:

- On January 9, 2009, the Honourable CLB suspended the then existing Board of Directors of the Company and authorised the Government of India ('Central Government') for the constitution of not more than 10 persons of eminence as directors.
- The Central Government vide order dated January 29, 2009 appointed 6 eminent persons as directors of the Company.
- On February 19, 2009, the Honourable CLB authorised the Board of Directors nominated by the Central Government to induct strategic investors in the Company.
- On February 19, 2009, the Honourable CLB authorised the increase in the authorised share capital of the Company from Rs. 1,600 Million to Rs. 2,800 Million.
- On April 16, 2009, the Honourable CLB approved the selection of Venturbay Consultants Private Limited ('Venturbay') as a strategic investor in the Company through a global competitive bidding process, approved by SEBI and conducted under the supervision of former Chief Justice of India, Shri. S.P.Bharucha.
- On April 16, 2009, the Honourable CLB also approved the application made by the Company for extension of timelines for submitting the audited financial statements for the financial year 2008-09 to December 31, 2009.
- On July 6, 2009, the Honourable CLB approved the appointment of statutory auditors of the Company for the year ended March 31, 2010 subject to the ratification by the general body of the Company, as and when AGM is held.
- On July 17, 2009, the Honourable CLB authorised the withdrawal of four out of the six directors nominated by the Central Government and authorised the remaining two directors to continue till such time the Central Government desires to continue them, however, not beyond a period of three years from the date of the order.



- On October 15, 2009, the Honourable CLB approved the appointment of statutory auditors of the Company for the year ended March 31, 2009 subject to the ratification by the general body of the Company, as and when AGM is held.
- On October 16, 2009, the Honourable CLB also approved the application made by the Company for extension of timelines for submitting the audited financial statements for the financial year 2008-09 to June 30, 2010.
- On June 30, 2010, the Honourable CLB approved the application made by the Company for extension of time for submission and publication of the financial statements for the years ended March 31, 2009 and March 31, 2010 to September 30, 2010, exempted the Company from publication of financial results for the quarter ended December 31, 2008 to March 31, 2010, and the time for holding the AGM for the financial year 2008 – 09 and 2009 – 10 was extended by 3 months, permission to file with ROC the Balance Sheet, the profit and loss and other related annexures for the financial years 2008-09 and 2009-10, and any filing required under other applicable laws including taxation laws, within 30 days from the date of the AGM, and the tenure of the statutory auditors till the conclusion of the Annual General Meeting for the financial year 2009-10.

## 5. Acquisition by Venturbay

M/s Venturbay Consultants Private Limited (“Venturbay”) became the successful bidder of the global competitive bidding process initiated/ concluded under the supervision of former Chief Justice of India, Shri. S.P. Bharucha. Shri S.P. Bharucha has also given in writing to Honourable CLB that the process of selection was fair, transparent and open as required.

On May 5, 2009, Venturbay was allotted 302,764,327 equity shares of Rs. 2 each of the Company at a premium of Rs. 56 per share (being 31% of the paid up capital) for a consideration of Rs. 17,560 Million.

On July 10, 2009, pursuant to completion of the open offer, Venturbay was further allotted 198,658,498 equity shares of the Company (par value of Rs 2 each per share) at a premium of Rs 56 per share for a consideration of Rs 11,522 Million. Consequently, Venturbay currently holds 501,843,740 equity shares (including 420,915 equity shares acquired through the open offer) representing 42.67% of the paid up share capital of the Company. Currently, the Board of Directors of the Company comprises seven directors of which three are representatives from Venturbay, two are nominees of the Central Government and two are independent directors.

## 6. Commitments and contingencies

### 6.1 Alleged advances

The erstwhile Chairman in his letter dated January 7, 2009, stated that the Balance Sheet as of September 30, 2008 carried an understated liability of Rs. 12,304 Million on account of funds arranged by him. On January 8, 2009, the Company received letters from thirty seven companies requesting confirmation by way of acknowledgement of the alleged amounts referred to as ‘alleged advances’. These letters were followed by legal notices from these companies dated August 4/5, 2009, claiming repayment of Rs. 12,304 Million allegedly given as temporary advances. The legal notices also claim damages/ compensation @18% per annum from date of advance till date of repayment. The Company has not acknowledged any liability to any of the thirty seven companies and has replied to the legal notices stating that the claims are legally untenable. The ED is investigating the matter under the Prevention of Money Laundering Act, 2002 and directed the Company to furnish details with regard to the alleged advances and has further directed the Company not to return the alleged advances until further instructions from the ED.

On November 11, 2009, four out of the thirty seven companies have filed suits for recovery before City Civil Court, Secunderabad, against the Company with a prayer to file as indigent person seeking exemption from payment of required Court fee. The aggregate amount sought to be recovered by these four companies is Rs. 3,131 Million and interest @18% per annum. These cases are pending before the said Court. As of date, the remaining thirty three companies have filed similar petitions in the said Court and the petitions are pending.

As of March 31, 2009, the amount of alleged advances has been presented separately under ‘Amounts Pending Investigation Suspense Account (Net)’. The Company is contesting the claims for recovery filed as indigent petitions/suits by these companies. Since the matter is *sub judice* and the investigation by various Government Agencies is in progress, the Management, at this point of time, is not in a position to predict the ultimate outcome of the legal proceedings initiated by these thirty seven companies.

### 6.2 Claims from Upaid Systems Limited (Upaid)

In connection with the lawsuit filed by Upaid, the Company deposited an amount of Rs. 3,274 Million (equivalent to USD 70 Million) into an escrow account pursuant to a Settlement Agreement with Upaid to settle the litigation commenced by Upaid against the Company in the United States District Court for the Eastern District of Texas, Marshall County in USA wherein Upaid sought damages exceeding USD 1 Billion for fraud and forgery in addition to other punitive damages, fees and costs.

Subsequently, the Company obtained a favorable ruling against Upaid from the Supreme Court of the State of New York, USA declaring that that Upaid was solely responsible for any tax liability under Indian law in respect of the settlement amount. Upaid has filed an application before the Authority for Advance Rulings seeking a binding advance ruling under the Income Tax Act, 1961 (IT Act), for taxability of the above mentioned payment. The order of the Authority for Advance Rulings has not been delivered till date. Pending resolution of dispute, the Texas Action is currently adjourned.

### 6.3 Class Action Complaints

#### i. Class Action Complaint

Subsequent to the letter by the erstwhile Chairman (Refer Note 3.1 of Schedule 18), a number of persons claiming to have purchased the Company’s securities filed class action lawsuits in various courts in the USA alleging violations of the anti-fraud provisions of the Securities Exchange Act of 1934. The Company, the former officers, directors and former auditors of the Company, Maytas Infra Limited and some of its directors, Maytas Properties Limited and some of its directors are named as defendants in these lawsuits. The lawsuits were consolidated into a single action (the ‘Class Action’) in the United States District Court for the Southern District of New York (the ‘Court’).

The Class Action Complaint seeks monetary damages to compensate the Class Members for their alleged losses arising out of their investment in the Company's common stock and ADS during the Class Period.

- ii. On November 13, 2009, a trustee of two trusts that are assignees of the claims of twenty investors who purchased the Company's ADS or common stock (prior to the aforementioned letter by the erstwhile Chairman of the Company) and who sold their ADS or common stock after the confession, filed a complaint against the Company, its former auditors and certain other individuals (the 'Action') on grounds substantially similar to those contained in the Class Action Complaint mentioned above. The Action, which has been brought as an individual action, was filed after the consolidation of various class action lawsuits. The complaint filed in the Action alleges that the losses suffered by the twenty investors, for which recovery is sought, is over USD 68 Million.

- iii. Consolidation of Class Action Complaint and the Action

The Action was transferred to the Court in the Southern District of New York for pre-trial consolidation with the Class Action Complaint.

Based on the legal advice obtained by the Company, the Company is contesting the above lawsuits, the outcome of which is not determinable at this stage.

#### **6.4 SEC proceedings**

The Division of Enforcement ('Division') of the SEC is conducting a formal investigation into misstatements in the Company's financial statements predating January 7, 2009, the date of self-disclosure of financial irregularities by the erstwhile Chairman. The Company is cooperating fully with the investigation. On September 17, 2009, the Company received a 'Wells Notice' from the Division, which was a notification advising the Company that the Division had tentatively concluded that it would recommend to the Commissioners of the SEC that it files a civil suit against the Company, alleging fraud and other violations, and seeking permanent injunctions and monetary relief. As of date, the SEC has not made a determination regarding any staff recommendation in this matter. The outcome of this matter is not determinable at this stage.

#### **6.5 Claims from a customer**

The Company had entered into an agreement with a customer for software development for the operations of a customer in Japan. The Company executed the software development in accordance with the terms of the agreement. In 2005, the customer invoked arbitration contending deficiency of services and claiming damages of Japanese Yen 364 Million (equivalent to Rs. 189 Million) which is being disputed by the Company. The Company has also filed a counter claim of USD 0.24 Million (equivalent to Rs. 12 Million) being the balance amount due and payable for the work done by the Company, apart from other charges and interest the Company is entitled to. The matter is now pending before a Sole Arbitrator in Pune, the outcome of which is not determinable at this stage.

#### **6.6 Income tax matters**

- i. Financial years 2002-03 to 2005-06

Consequent to the letter of the erstwhile Chairman referred to in Note 3.1 of Schedule 18, the Income Tax department conducted certain enquiries and passed rectification orders under Section 154 of the IT Act dated April 2, 2009, disallowing part of the claim made by the Company towards foreign tax credits and tax deducted at source which were earlier allowed in the assessments for the financial years 2002-03 to 2005-06, resulting in a demand of Rs. 2,358 Million. The Company has filed appeals before the Commissioner of Income Tax (Appeals) (CIT(A)) against the above said rectification orders, *inter alia*, contending that the said rectification orders are not based on record available as on the date of assessments and therefore not valid in law. Further, the Company has contended in the appeals that in any case, the past assessments should be rectified only after taking into account all the facts and circumstances of the case, after excluding the fictitious sales and non-existent income wrongly offered to tax earlier, and after arriving at the correct taxable income of the Company. The Company has received orders from the CIT(A) whereby the appeals filed for the above referred years have been disposed off against the Company. The Company has filed an appeal before the Income Tax Appellate Tribunal (ITAT), Hyderabad challenging the order passed by the CIT(A). As per the independent professional opinion obtained by the Company the order passed by the CIT(A) is not tenable in law and is liable to be quashed by the appellate authorities.

While the stay petitions filed by the Company for non-payment of the disputed tax demands have been rejected by the lower authorities, the Central Board of Direct Taxes (CBDT) has endorsed a copy of the stay petition to the Director General of Income Tax (Inv) Hyderabad and directed him to dispose of the stay petition by way of a speaking order, after providing appropriate opportunity of being heard to the Company which proceedings are in progress.

- ii. Financial years 2001-02, 2004-05 and 2005-06

In addition to the demands referred to above relating to financial years 2004-05 and 2005-06, the Company has also received demands from the income tax authorities for Rs. 677 Million for the said years in the normal course of assessment against which the Company has filed an appeal before the CIT (A). As against the said demand, the Company has paid an amount of Rs. 5 Million as at March 31, 2009 under protest. The CIT (A) has passed an order allowing the grounds of appeal following the ITAT orders on same issues for the earlier years in relation to the Company, which if given effect to will result in the above demand being reduced to Nil. The CIT(A) has, however, rejected the additional grounds regarding computation of income and also directed the assessing officer to compute the tax liability after taking into account the separate orders passed for order referred in Note (i) above. The Company is in the process of filing further appeals before the ITAT.





iii. Financial years 2006-07 and 2007-08

Based on the information available with the Company and the reports of the investigating agencies, the Company has filed revised returns of income for the financial years 2006-07 and 2007-08, within the time stipulated under the IT Act, duly adjusting the fictitious sales and non-existent interest wrongly offered to tax in the original return of income filed by the Company. The assessing officer, however, rejected the revised return filed for the aforesaid financial years on the ground that the reports of the investigating agencies are subject to the proceedings before the Courts and that the Company has not discovered any omission or wrong statement in its original return of income, and that the revised return, if any, ought to have been filed based on the Company's revised financial statements which was not done.

With respect to financial year 2006-07, a total demand of Rs.812 Million has been raised against the Company in the impugned order. The Company has filed an appeal against the above said rejection of its revised return contending that the Company has a right to revise its return of income under the provisions of the IT Act and once a revised return of income is validly filed within the stipulated time, the assessing officer has to consider the same during the assessment proceedings and that the assessing officer has no power under the IT Act to reject the revised return of income. The Company is of the view that the impugned order of the assessing officer, purporting to reject the revised return of the Company, is based on extraneous and irrelevant grounds, is invalid, beyond jurisdiction and is liable to be quashed by the appellate authorities.

With respect to financial year 2007-08, prior to the Company filing the revised return, the Company received an intimation under Section 143(1) of the IT Act demanding an amount of Rs.2,562 Million on the Company rejecting the claim of the Company for foreign tax credits and tax deducted at source in view of non-availability of the details of the tax claims made by the Company. The Company has since filed the necessary details/ tax credit certificates before the assessing officer. Subsequently, the Company has received a letter from the assessing officer demanding a total amount of Rs. 1,728 Million after considering the details furnished by the Company. The assessing officer also rejected the request for stay on recovery proceedings and has directed the Company to pay the entire amount along with interest immediately. The Company is evaluating its further course of action.

iv. Petition under Section 264

In respect of the orders under Section 154 of the IT Act relating to the financial years 2002-03 to 2005-06 referred to in paragraph (i) above, the Company filed a petition under Section 264 of the IT Act for revision of the above said orders before the Commissioner of Income Tax. The Commissioner of Income Tax had rejected the Company's petition under Section 264 on the grounds that the appeal against the same orders under Section 154 were pending before the CIT(A) at that time and pending disposal of such appeals, no revision order under Section 264 could be passed. The Company is evaluating its further course of action.

v. Petition before the Central Board of Direct Taxes (CBDT)

Pursuant to the matters mentioned above, the Company has filed a stay petition before the CBDT dated August 5, 2010 as per which the Company has requested the CBDT to grant stay of recovery proceedings for the financial years 2002-03 to 2007-08 till the correct quantification is done of the income and tax payable for these respective years. Accordingly, the Company has requested the CBDT to issue necessary directions to the Income Tax Department.

While the stay petitions filed by the Company for non-payment of the disputed tax demands have been rejected by the lower authorities, the Central Board of Direct Taxes (CBDT) has endorsed a copy of the stay petition to the Director General of Income Tax (Inv) Hyderabad and directed him to dispose of the stay petition by way of a speaking order, after providing appropriate opportunity of being heard to the Company which proceedings are in progress.

vi. Provision for taxation

The Company is carrying a total amount of Rs.4,371 Million (net of payments) as at March 31, 2009 towards provision for taxation which was made primarily on the basis of the past financial statements. Considering the effects of financial irregularities, the status of disputed tax demands and appeals/ claims pending before the various authorities, the consequent uncertainties regarding the outcome of these matters and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the balance of tax provisions outstanding as at the Balance Sheet date.

vii. Software Technology Parks of India (STPI) matters

The Company has received certain communications from the STPI authorities asking for various clarifications regarding the filings made in the past and other compliance related matters. The Management has provided/ is in the process of providing these details to the authorities.

Further, the Company has also not received the certification of invoices from the STPI authorities for some of the locations as required by the relevant STPI regulations.

## 6.7 Indirect tax matters

i. Sales tax/value added tax

The Company has received demands from the Karnataka Sales Tax Department for financial years 2003-04 and 2004-05 totaling to Rs. 620 Million (including penalty for Rs. 104 Million), which has been paid under protest by the Company. The Company has gone on appeal against the said demand which appeal is pending before the Karnataka Appellate Tribunal.

The Company has also received demands from the Andhra Pradesh Sales Tax Department amounting to Rs. 250 Million (including penalty of Rs. 119 Million) for financial years 2002-03 to 2008-09. As against the above demand, the Company has paid an amount of Rs. 196 Million (including penalty of Rs. 83 Million) under protest. The Company's appeal for the financial years 2002-03 to 2007-08 filed before the Appellate Deputy Commissioner of Sales Tax was rejected and the Company has filed an appeal against the same before the Sales Tax Appellate Tribunal.

The Company has also received a show cause notice of Rs. 4,554 Million to tax unlicensed software for the period 1999-00 to 2004-05 from the Tamil Nadu Sales Tax Department. The Company has submitted the necessary details before the authorities.

ii. Service tax

The Company had availed Service Tax Input Credit on general insurance premium, outdoor catering service, health and fitness service, house-keeping service, event management service etc. The Service Tax Department has challenged the above credit for the period from March 2005 to September 2008 and has demanded service tax amounting to Rs. 212 Million (including penalty of Rs. 106 Million). The Company has gone on appeal before the Central Excise Service Tax Appellate Tribunal (CESTAT) for confirming the Service Tax Input Credit availed, which is pending final disposal.

### 6.8 Matters relating to overseas branches

The details of various claims/potential claims/ tax demands on account of tax provisions relating to the overseas branches are given below:

<b>Particulars</b>	<b>(Rs. in Million)</b>
<b>Particulars</b>	<b>Amount</b>
Claim arising out of the special audit initiated by the Belgian tax authorities. The audit is in progress and the Company is in the process of providing the necessary information	Not quantifiable
Income tax demands in the United States of America:	
- State of Pennsylvania	4
- New York State income tax liability for the years 2006, 2007 and 2008. The Company has requested the tax authorities not to proceed till the Company files restated returns. The tax authorities have granted approval to the Company's request.	106
- California State income tax liability for the years 2003, 2004 and 2005. The Company has requested the tax authorities not to proceed till the Company files restated returns. The tax authorities have granted approval to the Company's request.	62
Others	176

### 6.9 Compliance with employee/labour related laws

i. Demand from Employees' State Insurance authorities and Provident Fund

During the financial year ended March 31, 2008, the Company has received a demand of Rs. 3 Million from the Regional Office, Employees' State Insurance (ESI) Corporation pertaining to the period from April 2004 to March 2005. The Company has remitted Rs. 1 Million in respect of the same under protest and has appealed against the demand order which is pending final disposal at the ESI Court.

Similarly, subsequent to March 31, 2009, the Company has received an order from the Employees' Provident Fund Organisation demanding an amount of Rs. 3 Million pertaining to December 2008. The Company has appealed against the same before the Employees' Provident Fund Appellate Tribunal, which is pending disposal. The Company has remitted Rs. 1 Million against the said demand under protest.

ii. Other employee/labour related laws

The Company carries out significant operations through its branches/sales offices located at various countries. The Company has assessed the compliance with various other employee/labour related laws and based on such assessment done, non-compliances, wherever identified, have been appropriately dealt with.

### 6.10 Purchase commitments in respect of subsidiaries

The details of future purchase consideration payable in respect of certain acquired subsidiaries are given below:

As at March 31, 2009:

<b>(Amounts in Million)</b>				
<b>Name of subsidiary</b>	<b>Currency</b>	<b>Amount</b>	<b>Amount in INR</b>	<b>Payable by</b>
Bridge Strategy Group LLC	USD	8	408	October 2010



**As at March 31, 2008 ("As published" (Refer Note 39 of Schedule 18))**

**(Amounts in Million)**

<b>Name of subsidiary</b>	<b>Currency</b>	<b>Amount</b>	<b>Amount in INR</b>
Bridge Strategy Group LLC	USD	35	1,395

**6.11 Dispute with Venture Global LLC**

The Company and Venture Global Engineering LLC (VGE) entered into a Joint Venture Agreement on October 20, 1999 to form an Indian Company called Satyam Venture Engineering Services Private Limited (SVES). SVES was formed to provide engineering services to the automotive industry. The capital participation of the Company and VGE was in the ratio of 50:50. On or around March 20, 2003 numerous corporate affiliates of VGE filed for bankruptcy. This triggered the option for the Company to purchase VGE's shares of SVES under the Shareholder's Agreement which the Company exercised. As VGE disputed the Company's action, the Company requested for arbitration with the London Court of International Arbitration (LCIA) as provided in the Shareholder's Agreement.

The Arbitrator gave an award dated April 3, 2006 in favour of the Company. The Company filed for enforcement and recognition of the award before the District Court of Michigan, U.S.A. The District Court on July 31, 2006 directed enforcement of the award and the Sixth Circuit Court of Appeals in US on May 25, 2007 affirmed it. On April 28, 2006, while the proceedings were pending in the USA, VGE also filed a suit before the District Court of Secunderabad in India for setting aside the award dated April 3, 2006. The District Court of Secunderabad and the High Court of Andhra Pradesh dismissed VGE's petition for setting aside the award. On an appeal by VGE, the Supreme Court of India on January 10, 2008, set aside the orders of the District Court and the High Court and remanded the matter back to City Civil Court, Hyderabad for hearing on merits. The Supreme Court also directed status quo with regard to transfer of shares till the disposal of the suit.

On January 17, 2008, the District Court of Michigan held VGE in contempt for its failure to honour the award and amongst others directed VGE to dismiss its Board members and replace them with individuals nominated by the Company. The order of the District Court of Michigan in contempt proceeding was affirmed by the Sixth Circuit of Appeals on April 9, 2009. Following this VGE has appointed the Company's nominees on the Board of SVES and SVES confirmed the appointment at its Board meeting held on June 26, 2008. The Company is legally advised that SVES became its subsidiary only with effect from that date.

VGE also sought to file an application for bringing additional pleadings on record in the matter pending before the City Civil Court which allowed VGE's application. As the High Court of Andhra Pradesh allowed the Company's appeal against the order of the City Civil Court, VGE appealed against the order of the High Court to the Supreme Court. The Supreme Court on August 11, 2010 allowed VGE's application to bring on record additional pleadings. The matter is pending before the City Civil Court, Hyderabad.

**6.12 Other claims/contingencies/commitments**

- i. The details of other claims/contingencies/commitments as at March 31, 2009 are summarised below:

<b>Particulars</b>	<b>(Rs. in Million)</b>	
	<b>As at March 31, 2009</b>	<b>As at March 31, 2008 "As published" (Refer Note 39 of Schedule 18)</b>
Vendor claims	107	
Employee claims	24	
Customer claims	90	
Other shareholder claims	0.3	
Claims from promoters of subsidiaries	Refer Note 13.5 of Schedule 18	
Guarantees/Comfort letters provided by the Company	Refer Note 30 of Schedule 18	
Bank guarantees outstanding	1,832	1,025
Corporate guarantees given on behalf of a subsidiary in respect of a loan availed by the subsidiary	3,345	1,947
Contracts pending execution on capital accounts (net of advances)	3,378	4,007

- ii. The Company has certain outstanding export obligations/commitments as at March 31, 2009. The Management is confident of meeting these obligations/commitments within the stipulated period of time/obtaining suitable extensions, wherever required.

### 6.13 Management's assessment of contingencies/claims

The amounts disclosed under contingencies/claims represent the best possible estimates arrived at on the basis of the available information. Due to the high degree of judgment required in determining the amount of potential loss related to the various claims and litigations mentioned above in which the Company is involved and the inherent uncertainty in predicting future settlements and judicial decisions, the Company cannot estimate a range of possible losses. However, excluding the liability, if any, arising from the class action suits as mentioned in Note 6.3 of Schedule 18 for which the outcome is not determinable at this stage, the Company has made appropriate provision for contingencies as at March 31, 2009 which, in the opinion of the Management, is adequate to cover any probable losses in respect of the above litigations and claims. Refer Note 35.2 of Schedule 18.

### 7. Insurance claims

A Directors and Officers Liability Policy ('D&O Policy') had been taken by the Company to protect its directors and officers against legal costs incurred by them in defending allegations or suits brought against them for wrongful acts and any awards granted against them, including out of court settlements. The D&O Policy also protects the Company if it is exposed to a 'Securities Claim' as defined under the D&O Policy. The primary policy for the period from October 15, 2008 to October 14, 2009 had been issued by the Lead Insurer, and secondary policy forming multiple layers of coverage in excess of the primary policy had been issued by other insurance companies.

The Company has notified the Lead Insurer regarding receipt of notices from several regulatory authorities and the class action suits.

The Lead Insurer, while expressly reserving its rights under the D&O Policy, has taken a preliminary view and disputed the claim under the D&O Policy. The Company has replied wherein it has expressly reserved its rights with respect to the D&O Policy and disagreed with a number of statements and positions taken by the Lead Insurer.

The Company is examining various options for proceedings against the Lead Insurer and, hence, the outcome is uncertain at this stage.

### 8. Regulatory non-compliances/breaches

The Company has identified certain non-compliances/breaches of various laws and regulations of the Company under the erstwhile management including, but not limited to the following:

#### 8.1 The Companies Act, 1956 ('the Act')

- (i) Payment of remuneration/commission to whole-time directors/non-executive directors in excess of the limits prescribed under the Act.

Pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Act the shareholders of the Company had approved remuneration to Mr. B. Ramalinga Raju, Mr. B. Rama Raju and Mr. Ram Mynampati, the erstwhile whole-time directors of the Company.

The details of remuneration paid to the whole-time directors for the financial year 2008 - 09 is given below:

Name of the Director	<i>(Rs. in Million)</i>
	<b>2008-09</b> (Refer Note 21 of Schedule 18)
Mr. B. Ramalinga Raju	5
Mr. B. Rama Raju	4
Mr. Ram Mynampati	21
<b>Total</b>	<b>30</b>

As the Company has incurred losses in the current year, the actual remuneration paid to the whole-time directors is in excess of the amounts payable to them as minimum remuneration in accordance with the provisions of Schedule XIII of the Act to the extent of Rs. 23 Million for the year 2008-09 and, hence, the excess amount is accounted as recoverable from the respective directors who received it. The Company is proposing to initiate proceedings for recovery of the aforesaid excess remuneration paid for the year 2008-09 from the respective directors.

The Company had also paid Rs. 11 Million towards commission to non-executive directors during the financial year 2008-09. For the reasons stated above, the actual commission paid to the non-executive directors is in excess of the amounts payable to them in accordance with the provisions of the Act to the extent of Rs.11 Million for the year 2008-09 and, hence, the excess amount is accounted as recoverable from the respective directors who received it. The Company is proposing to initiate proceedings for recovery of the aforesaid excess commission paid for the year 2008-09 from the respective directors.

For the financial years prior to 2008-09:

The Company is exploring the possibility of recovering the excess remuneration/ commission, if any, paid by the Company to the respective directors for the years prior to 2008-09.

- (ii) Unauthorised borrowings

The investigations revealed that the Company borrowed Rs. 7,201 Million from various banks without obtaining Board approvals during the period from April 1, 2002 till September 30, 2008. Also Refer Note 3.3(i) of Schedule 18.

The Company has repaid the entire amount as at March 31, 2009.



In the absence of Board / shareholders' approval, for the above borrowings, the Company has violated Section 292(1)(c) and Section 293(1)(d) of the Act.

(iii) Excess contributions

The Company with the prior approval of Board in its meeting held on July 21, 2005, contributed amounts aggregating Rs. 141 Million to Satyam Foundation from June 2005 to September 2008 .

As per Section 293 (1)(e) of the Act, except with the consent of the shareholders in a general meeting, contributions by the Company to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, shall not exceed fifty thousand rupees, or five per cent, of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three immediately preceding financial years, whichever is greater.

The Company is exploring the possibility of recovering the excess contributions, if any, made to Satyam Foundation from the erstwhile directors for the period from June 2005 to September 2008.

(iv) Loan to ASOP Trust without prior approval

The Company has given a loan of Rs. 50 Million to Satyam Associate Trust on February 14, 2007 without obtaining the prior approval of the Board of Directors or delegation of such power as required under Section 292(1)(e) of the Act.

(v) Delay in deposit of dividend in the bank

The Company had paid dividend to its shareholders during the financial years 2001- 02 to 2008-09. Both interim and final dividends were paid within the statutory limit of 30 days from the date of declaration as per Section 205 of the Act. However, in some cases, the amount towards dividends was deposited in the bank account opened for payment of dividend after five days from the date of declaration of such dividend contrary to the provisions of Section 205(1A) of the Act.

(vi) Dividend paid without profits

For the financial year 2008-09, the Company declared and paid an amount of Rs. 674 Million as interim dividend based on the approval obtained from the erstwhile Board of Directors of the Company vide their resolution dated October 17, 2008. As the Company has incurred losses in the current year (even before prior period adjustments identified on account of the financial irregularities during the earlier years), there were no profits for the purpose of declaring dividend and, hence, there is a non-compliance of Section 205 of the Act.

The Company has been legally advised that it has a right of recourse against the erstwhile Board of Directors for declaration and payment of dividend in view of the absence of profits for the year 2008-09. The Company is proposing to initiate proceedings against the erstwhile directors for recovery of dividends paid to the shareholders for the year 2008-09.

For the financial years prior to 2008-09:

The Company is exploring the possibility of recovering the dividend paid to the shareholders from the erstwhile directors for the years prior to 2008-09, if such payment was in contravention with the provisions of Section 205 of the Act.

(vii) Non-transfer of profits to general reserve relating to interim dividend declared

Consequent to the interim dividend declared and paid by the Company for the financial year 2008-09, the Company has to transfer a minimum stipulated amount to the General Reserve in accordance with the provisions of the Companies (Transfer of Profits to Reserves Rules), 1975. As the Company has incurred losses in the current year (even before prior period adjustments identified on account of the financial irregularities during the earlier years), there is an inadequate balance in the Profit and Loss account for the purpose of transfer of such amount to the General Reserve and, accordingly, no such transfer to the General Reserve could be effected.

For the financial years prior to 2008-09:

The Company has not determined whether there was inadequate balance in the Profit and Loss account during the years prior to 2008-09 for the purpose of transfer of amounts to the General Reserve relating to dividends declared.

(viii) Utilisation of the Securities Premium account

As per the method of accounting followed by the Company, the fringe benefit tax (FBT) on ASOP is recovered from the employees as part of the amount received towards allotment of shares on exercise of the options. At the time of recovery, this amount is netted off against the FBT expense in the Profit and Loss account.

During the previous year ended March 31, 2008, as per the accounting policy followed by the Company during that year, the Company had included the amount recovered from employees towards FBT amounting to Rs. 168 Million as part of the Securities Premium account and debited the FBT liability towards stock options exercised during the year 2007-08 amounting to Rs. 192 Million to the Securities Premium account.

The Company, based on legal advice, is of the opinion that the amounts of such recovery and remittance of FBT should not have been routed through the Securities Premium account and, hence, has corrected the same in the financial statements to the extent of the excess amount of Rs. 24 Million, representing short recovery of FBT from employees, which was incorrectly debited to the Securities Premium account and which could result in violation of the provisions of Section 78 of the Act.

(ix) Declaration of bonus shares

In respect of issue of bonus shares in the prior periods, the Company is in the process of determining whether there has been any non compliance with the provisions of the Act.

(x) Company law violations as per SFIO reports

Consequent to the letter written by the erstwhile Chairman, SFIO investigated into the affairs of Company under Section 235 of the Act. As a result of the investigation, SFIO filed seven cases on company law violations, out of which the Company is accused in the two cases mentioned below:

- a. The payment of professional fee to Mr. Krishna G Palepu, a non-executive director was with the approval of shareholders by way of special resolution passed in the Annual General Meeting held on August 21, 2006 as per the provisions of Section 314 of the Act. However, the SFIO held that the Company had not complied with Section 309 of the Act in seeking the opinion of the Central Government on the requisite qualifications possessed by the director for the practice of the profession. The SFIO held that the instant case was not covered under Section 314 of the Act as the terms of reference given to Mr. Krishna G Palepu did not indicate the assignment of any specific position or office of profit to him in the Company.

The Union of India has commenced prosecution in the Court of the Special Judge for Economic Offences at Hyderabad under Section 621 alleging violation of Section 309 read with Section 629A of the Act. The trial is ongoing. It has also sought refund of the amount paid to Mr. Krishna G Palepu to the Company. The Company has filed a compounding application with respect to the said offence.

- b. The SFIO has stated that the Company had filed incomplete balance sheets as on March 31, 2007 and March 31, 2008 on the MCA website as the attachments of the balance sheets did not contain the directors' report along with the annexure required under the various rules, the auditors' report for the financial year 2006 - 07 and schedules to the balance sheet, the directors' report along with the required annexure and the auditors' report for the financial year 2007 - 08 thereby violating the provisions of Section 220 of the Act.

The Company had not received any communication from the Registrar of Companies, Andhra Pradesh seeking clarification on the incomplete filing for the financial year 2006-07. Approval for the filing for financial year 2007-08 was received by the Company and all the required documents except auditors' report are available on the MCA website.

The Union of India has commenced prosecution in the Court of Special Judge for Economic Offences at Hyderabad under Section 621 alleging violation of Section 220 read with Section 162 of the Act for filing incomplete balance sheets. The trial is ongoing. The Company has filed a compounding application with respect to the said offence.

## **8.2 SEBI**

The Company had formulated the Associate Stock Option Plan (ASOP) A scheme prior to issue of the ESOP Guidelines by SEBI. This plan is administered through the Trust and the Trust has been granting warrants from time to time. On the pretext that the ASOP A scheme was framed prior to the current ESOP guidelines as amended by a notification issued on June 30, 2003, the details of warrants granted under the ASOP A scheme during the financial years 2003 - 04 to 2007 - 08 were not provided under the disclosures made in the Directors Report as required under Clause 12(1) of the aforementioned guidelines and in the disclosures required to be made in the financial statements of the Company. Further, no stock compensation costs were recorded by the Company in its financial statements for the above mentioned period. This is in violation of the ESOP Guidelines issued by SEBI.

## **8.3 Foreign Exchange Management Act (FEMA), 1999**

- (i) In some of the cases, the Company has not been able to do a "one on one" matching of the foreign currency receipts against the Foreign Inward Remittance Certificates (FIRC) obtained from the bankers. Pending such matching, the Company has appropriated the collections based on and to the extent of the information available with the Management. Further, the Company has not filed such invoice wise FIRC details with Authorised dealer as required by the FEMA regulations.
- (ii) There are certain uncollected dues/receivables in foreign currency which are outstanding for a long period of time for which the required permission for extension of time has not been obtained from the appropriate authorities.

The Company is in the process of regularising the same and filing all the required applications/details.

## **8.4 Delay in filing of return of income with the audited financial statements**

Consequent to the events mentioned in Note 3.1 of Schedule 18 above and pending finalisation of the accounts as at the due date for filing the return of income, the Company has not yet filed the return of income for the financial year ended March 31, 2009 within the time stipulated under the provisions of the IT Act. However, the Company had filed a provisional return of income on September 30, 2009 for the said financial year. The Company has also received a notice from the assessing officer asking the Company to show cause as to why a penalty should not be levied under Section 271B for the failure to get the books of account audited under the provisions of Section 44AB of the IT Act.

The Company has filed a petition before the CBDT under Section 119 of the IT Act seeking extension for complying with the various statutory requirements under the IT Act and such extension has been granted till October 31, 2010.

## **8.5 Non-availability of exemption certificates/tax deduction certificates**

In respect of deduction claimed under Section 10A of the IT Act for the financial year 2007 - 08, signed certificates in Form 56F, which are required to be furnished to the department at the time of the assessment, are not readily available with the Company. Non-furnishing of such signed copies may result in a disallowance in the exemption claim of the Company and a tax liability on account of the same. Based on legal advice obtained by the Company, the Company is of the view that no provision is required to be made in the financial statements at this juncture and the Company can submit the Form 56Fs, duly certified by a Chartered Accountant at the time of the assessment. Further, the Company has filed a revised return for financial year 2007-08 for which the Company has received the Form 56Fs duly certified by a Chartered Accountant.





The Company also has certain old withholding tax claims made in prior years, the certificates for which are either non-existent or the originals are not available. The Company has identified such instances to the extent of the information available with the Company and has suitably adjusted the same in the Profit and Loss account.

#### **8.6 Delay in filing of tax returns in overseas jurisdictions**

There have also been cases of delay in filing of tax returns (income tax and sales tax) within the stipulated time period in some of the overseas countries primarily in the past, the potential liability on account of which is not ascertainable at this stage. The Company is of the opinion that the likely liability on account of the same is not expected to have a material impact on the financial statements.

#### **8.7 Management's assessment of the statutory non compliances**

The Management believes that the various non-compliances and breaches by the Company of the statutory requirements which have been noticed/observed, duly considering the findings of the forensic investigation/other ongoing regulatory investigations have been summarised above. The Company is proposing to make an application to appropriate authorities, where applicable, for condoning these non-compliances and breaches relating to the Company. The possible impact of these non-compliances and breaches in the event the Company's condonation requests, where applicable, are not granted has not been determined or recognised in the financial statements.

### **9. Financial Reporting Process**

#### **9.1 Internal control matters**

Subsequent to the letter by the erstwhile Chairman and change in control of the Management of the Company, the current Management evaluated the effectiveness of the Company's internal control over financial reporting and identified several deficiencies. Pursuant to such evaluation, the Management has concluded that as at March 31, 2009, the Company's internal control over financial reporting was not effective at a reasonable assurance level.

Some of the key findings of the internal control evaluation exercise were:

- The Company did not maintain an effective control environment at the entity level
- The risk oversight function that existed lacked enterprise-wide coordination, senior Management commitment, and an effective approach to performing entity-wide risk assessment
- Deficiencies in internal audit adversely affected the ability to identify control weaknesses
- IT general and application controls were ineffective and there was unrestricted access to critical IT systems/folders
- There were multiple non-integrated software platforms used for financial reporting and there was no process of reconciliation between various systems including payroll systems
- There were unexplained/unreconciled differences between the sub-systems/sub-ledgers and the general ledger
- The Company did not maintain an effective, timely and accurate financial closing and reporting process
- Deficiencies in the process for revenue recognition and receivables management
- Absence of effective customer confirmation, bank balance confirmation, bank reconciliation procedures by the Company during the course of the year
- Physical verification of fixed assets was not conducted at regular intervals and the fixed assets register was not updated. Capitalisation of fixed assets was done without evidence of approval by respective departments.

The control deficiencies mentioned above may not be exhaustive and are based on the assessment that the current Management was able to subsequently make regarding the control environment at the Company for the year ended and as at March 31, 2009.

The current Management, for the purpose of ensuring appropriate controls over the financial reporting process and the preparation of the financial statements, has implemented specific procedures like manual reconciliations between the various sub-systems/sub-ledgers and the general ledger, requests for various balance confirmations as part of the year end closure process, confirmation of the department wise financial details by the business leaders, preparation and review of proper bank reconciliation statements, review of the revenue recognition policies and procedures, preparation and review of schedules for key account balances, implementing proper approval mechanisms, closer monitoring of the financial closure process etc.

#### **9.2 Non-availability of documents/information**

As stated in Notes 3.2 and 3.8 of Schedule 18, certain documents/information could not be either located or were unavailable to substantiate the transactions. Such instances of unavailable/non-traceable documents/information were also noted during the preparation of the financial statements by the Management. Some of these documents relate to the areas of revenue, expenses, fixed assets, current assets and current liabilities and include documents pertaining to the period prior to April 1, 2008.

In the absence of such documents/information, adjustments required in respect of the opening balances as at April 1, 2008 (including the adjustments consequent to the assessment of consistent application of accounting policies) have been carried out to the extent feasible by the Management, based on available alternate evidences/information.

#### **9.3 Reconciliations**

With respect to some of the key business processes like revenues, expenses, payroll, fixed assets, etc., the Company uses various sub-systems, the output from which, is being used for accounting in the financial package maintained by the Company. Within the financial package, there are also sub-ledgers and general ledger. In this respect, certain reconciliations between the sub-systems/sub-ledgers and the general ledger could not be performed completely due to non-availability of all the required information. Further,



there are certain differences between the sub systems which provide the inputs to the main sub system, which is ultimately interfaced to the general ledger, for which complete details are not available.

Consequently, adjustments arising on account of these reconciliations have been carried out to the extent feasible by the Management, based on the available information. Based on the same, the Company has identified certain transactions amounting to Rs.27 Million (net debit) (comprising of Rs. 494 Million of gross debits and Rs. 467 Million of gross credits), for which the complete details are not available, hence, these amounts have been accounted under "Unexplained Differences Suspense Account (Net)" under Schedule 12 and the Management has provided for the unexplained net amount of Rs. 27 Million as at March 31, 2009 by debit to the Profit and Loss account on grounds of prudence. Refer Note 35.3 of Schedule 18.

#### **9.4 Confirmation of balances/other details**

As part of the year-end financial reporting and closure process, requests for confirmation of balances/other details were sent out to various parties including banks, customers, vendors, employees, landlords, others etc for confirming the year end balances/other details. However, confirmations could not be sent out to some of the parties consequent to non-availability of complete records/addresses relating to these parties. The responses received from the parties reflected under sundry debtors, current liabilities and loans and advances was minimal compared to the overall number of confirmations sent out in spite of follow-up by the Company.

With respect to the cases where the confirmation responses were received, reconciliations have been performed based on the information available with the Company and necessary adjustments have been carried out in the financial statements.

With respect to the cases where the balances/other details were not confirmed by the parties, necessary adjustments including provision for debtors, provision for advances, provision for expenses have been carried out in the financial statements based on the information available with the Management.

#### **9.5 Risks and uncertainties**

There are risks and uncertainties relevant to the Company's financial condition, results of operations and liquidity positions that may affect future performance.

Some of the key risks and uncertainties that might impact the Company's business are stated as under:

(i) *Risk of un-identified financial irregularities*

In view of the significant limitations in the forensic investigation as stated in Note 3.2 of Schedule 18, there is a risk that material errors, fraud and other illegal acts may exist that remain undetected.

(ii) *Risk of adverse outcome of investigation by law enforcement agencies*

Several law enforcement agencies such as CBI, SEBI, SFIO and ED in India and SEC in the USA are currently investigating the extent of financial irregularities and breach of law by the erstwhile Chairman and other former employees of the Company. Refer Note 3 of Schedule 18. The Company may be exposed to liabilities in case of any adverse outcome of these investigations.

(iii) *Risk of substantial adverse outcome of litigation and claims*

Refer Note 6 of Schedule 18 for the details of open litigation and claims including class action law suits from shareholders in the United States of America (USA) which, if proven, could give rise to substantial liabilities. The Company is defending these litigations in various courts in India and in the USA.

(iv) *Risk of non-compliances/breaches with various laws and regulation*

The financial irregularities perpetrated by the erstwhile Chairman and former employees of the Company have led to violations of several laws and regulations including the Companies Act, 1956, guidelines prescribed by SEBI, Reserve Bank of India ('RBI') regulations, etc. The Company is exposed to liabilities in cases where these laws/regulations have been violated and the Company's application for condonation, where applicable, is not granted. Refer Note 8 of Schedule 18.

#### **9.6 Management's assessment on financial reporting**

Based on the assessment of the above and the information available with the Management at this stage and the corrective actions taken, the Management believes that these financial statements, read with the notes thereon, do not contain any material misstatements/omissions, in respect of the above.

### **10. Employee stock option schemes**

The ESOP guidelines issued by SEBI are applicable to options / shares granted / allotted on or after June 19, 1999. These guidelines were amended subsequently on June 30, 2003 to include the stock options granted by a Trust for the schemes administered by the Trust.

#### **10.1 Associate Stock Option Plan A (ASOP - A)**

In May 1998, the Company established its ASOP Plan which provides for the issue of 1,300,000 warrants having a face value of Rs. 10 at a price of Rs. 450 per warrant. The Company issued these warrants to an associate controlled welfare trust called the Satyam Associate Trust formed vide agreement dated August 16, 1999. At the twelfth 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 that all its employees receive the benefits of the bonus issue, the Trust was allotted the bonus shares for the warrants held by the Trust. The Trust exercised all its warrants to purchase the shares from the Company prior to stock split using the proceeds obtained from bank loans. The Trust grants warrants to eligible employees to purchase equity shares held by the Trust. 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. The warrants vested on employees needs to be exercised within 30 days from the date of vesting.



Subsequent to the bonus issues and share split, each warrant entitles the holder to purchase 20 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. As at March 31, 2009, 6,500,000 equity shares of Rs. 2 each have been allotted to the Satyam Associate Trust under ASOP A.

Till March 31, 2008, the Company was of the view that the employee stock options granted under the ASOP A plan administered by the Trust is the Scheme which has been established prior to the SEBI guidelines on the stock options, and hence, no cost relating to the grant of options need to be recorded under this scheme. During the current year ended March 31, 2009, based on a legal opinion obtained, the Company became aware that the SEBI guidelines are applicable to the employee stock options granted under this plan in respect of accounting periods commencing on or after June 30, 2003. Consequently, the Company has recorded a cumulative amount of Rs. 270 Million towards the cost of stock options for the period from June 30, 2003 to March 31, 2009 issued to employees under the ASOP A plan. Out of this, an amount of Rs. 186 Million relates to the cost for the period prior to April 1, 2008 which has been charged to the Profit and Loss account as prior period adjustments. Refer Note 3.3(iii) of Schedule 18.

As at March 31, 2009, 10,815 options (net of cancellations) for a total number of 216,300 equity shares of Rs. 2 each were outstanding. Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31, 2009	
	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	2,600	1,511
Granted	16,150	1,569
Exercised	(6,925)	(1,443)
Forfeited	(1,010)	(1,666)
Lapsed	-	-
At the end of the year	10,815	1,627

For options outstanding at the end of the current year, the exercise price is in the range of Rs. 1,409 to Rs. 1,701 and the weighted average remaining contractual life is 0.57 years.

The weighted average fair value of options granted during the year was Rs. 6,440.

For the options that were exercised during the year, the weighted average share price on the date of exercise was Rs. 388.59.

#### 10.2 Associate Stock Option Plan (ASOP - B)

The Company has established a scheme 'Associate Stock Option Plan – B' (ASOP - B) for which 58,146,872 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 equity shares. As at March 31, 2009, 28,735,133 equity shares of Rs. 2 each have been allotted to the associates under ASOP B.

Accordingly, options (net of cancellations) for a total number of 12,062,094 (as at March 31, 2008 – 15,641,127 "As Published" - Refer Note 39 of Schedule 18) equity shares of Rs. 2 each were outstanding as at March 31, 2009.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,		
	2009		2008 "As published" (Refer Note 39 of Schedule 18)
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options
At the beginning of the year	15,641,127	167.21	19,976,210
Granted	-	-	-
Exercised	(2,953,573)	170.72	(2,866,407)
Forfeited	(568,479)	183.16	(1,424,297)
Lapsed	(56,981)	176.45	(44,379)
At the end of the year	12,062,094	166.37	15,641,127

For options outstanding at the end of the current year, the exercise price was in the range of Rs. 77 - Rs. 328 and the weighted average remaining contractual life is 3.04 years .

There were no options granted during the current year.

For the options that were exercised during the current year, the weighted average share price on the date of exercise was Rs. 436.

### 10.3 Associate Stock Option Plan (ASOP - 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 in May 2000. Under the scheme 3,456,383 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 the grant converted into Indian Rupees at the rate of exchange prevalent on the day of the 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). As at March 31, 2009, 1,246,955 ADS representing 2,493,910 equity shares of Rs. 2 each have been allotted to the associates under ASOP ADS.

Accordingly, options (net of cancellations) for a total number of 1,195,642 (as at March 31, 2008 – 1,283,118 "As Published" – Refer Note 39 of Schedule 18) ADS representing 2,391,284 (as at March 31, 2008 – 2,566,236 "As Published" – Refer Note 39 of Schedule 18) equity shares of Rs. 2 each were outstanding as at March 31, 2009.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,		
	2009		2008
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options
At the beginning of the year	1,283,118	429.20	1,461,064
Granted	–	–	–
Exercised	(83,402)	279.48	(140,494)
Forfeited	(2,796)	231.65	(36,712)
Lapsed	(1,278)	240.23	(740)
At the end of the year	1,195,642	440.08	1,283,118

For options outstanding at the end of the current year, the exercise price is in the range of Rs. 151 - Rs. 632 and the weighted average remaining contractual life is 2.28 years.

There were no options granted during the current year.

For the options that were exercised during the current year, the weighted average unit price on the date of exercise was Rs. 1,005.

### 10.4 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 in May 2000. 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. As at March 31, 2009, 393,637 equity shares of Rs. 2 each have been allotted to the associates under ASOP - RSUs.

Accordingly, options (net of cancellations) for a total number of 2,767,973 (as at March 31, 2008 – 3,150,202 "As Published" – Refer Note 39 of Schedule 18) ASOP-RSUs equity shares of Rs. 2 each were outstanding as at March 31, 2009.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,		
	2009		2008
	No of options	Weighted average exercise price (Amount in Rs.)	No of options
At the beginning of the year	3,150,202	2.00	3,293,140
Granted	61,500	2.00	159,000
Exercised	(273,188)	2.00	(120,449)
Forfeited	(170,541)	2.00	(181,489)
Lapsed	–	–	–
At the end of the year	2,767,973	2.00	3,150,202



For options outstanding at the end of the current year, the exercise price is Rs. 2 and the weighted average remaining contractual life is 5.63 years.

The weighted average fair value of options granted during the current year was Rs. 444.

For the options that were exercised during the current year, the weighted average share price on the date of exercise was Rs. 423.

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

SCSL 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 in May 2000. 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. Each ADS represents two equity shares of Rs. 2 each fully paid up. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the options upon vesting is five years from the date of vesting. As at March 31, 2009, 18,687 RSUs (ADS) representing 37,374 equity shares of Rs. 2 each have been allotted to the associates under ASOP – RSUs (ADS).

Accordingly, options (net of cancellations) for a total number of 495,175 (as at March 31, 2008 – 249,715 "As Published" – Refer Note 39 of Schedule 18) RSUs (ADS) representing 990,350 (as at March 31, 2008 – 499,430 "As Published" – Refer Note 39 of Schedule 18) equity shares of Rs. 2 each were outstanding as at March 31, 2009.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,		
	2009		2008 "As published" (Refer Note 39 of Schedule 18)
	No of options	Weighted average exercise price (Amount in Rs.)	No of options
At the beginning of the year	249,715	4.00	236,620
Granted	282,263	4.00	43,500
Exercised	(10,967)	4.00	(7,720)
Forfeited	(25,836)	4.00	(22,685)
Lapsed	-	-	-
At the end of the year	495,175	4.00	249,715

For options outstanding at the end of the current year, the exercise price was Rs. 4 and the weighted average remaining contractual life is 5.91 years.

The weighted average fair value of options granted during the current year was Rs. 1,027.

For the options that were exercised during the current year, the weighted average unit price on the date of exercise was Rs. 1,020.

#### 10.6 Pro forma disclosures

In accordance with the ESOP guidelines issued by SEBI, had the compensation cost for employee stock option plans been recognised based on the fair value method at the date of the grant in accordance with the Black Scholes' model (determined based on the report of an independent agency), the pro forma amounts of the Company's profit/(loss) and earnings per share would have been as follows:

Particulars	For the year ended March 31,	
	2009	2008 "As published" (Refer Note 39 of Schedule 18)
<b>(Loss) / Profit after taxation as reported</b> (Rs. in Million)	<b>(79,352)</b>	<b>17,157</b>
Add: Employee stock option compensation expense (intrinsic value method) (including prior period adjustment of Rs. 186 Million (Refer Note 3.3(iii) of Schedule 18)) (Rs. in Million)	814	
Less: Employee stock option compensation expense (including prior period adjustment of Rs. 187 Million) (fair value method) (Rs. in Million)	874	
<b>Pro forma (Loss)/Profit</b> (Rs. in Million)	<b>(79,412)</b>	<b>17,013</b>
<b>Earnings per share</b>		
<b>Basic</b>		

Contd.

Particulars	For the year ended March 31,	
	2009	2008 "As published" (Refer Note 39 of Schedule 18)
- No. of shares	673,014,491	668,673,978
- EPS as reported (Rs.)	(117.91)	25.66
- Pro forma EPS (Rs.)	(117.99)	25.44
<b>Diluted</b>		
- No. of shares	673,014,491	683,138,400
- EPS as reported (Rs.)	(117.91)	25.12
- Pro forma EPS (Rs.)	(117.99)	24.90

The following assumptions were used for calculation of fair value of grants:

**Assumptions for 2008-09:**

**ASOP A plan:**

Particulars	For the year ended March 31, 2009
Exercise price	Rs. 1,409 - Rs. 1,701
Grant date share price	Rs. 398.90
Dividend yield (%)	0.78% - 0.68%
Expected volatility (%)	40.51% - 55.57%
Risk-free interest rate (%)	8.12%
Expected term (in years)	0.04 - 2.04 years

**ASOP RSU plan:**

Particulars	For the year ended March 31, 2009
Exercise price	Rs. 2
Grant date share price	Rs. 459
Dividend yield (%)	0.87% - 1.10%
Expected volatility (%)	37.17% - 43.57%
Risk-free interest rate (%)	8.12%
Expected term (in years)	3.5 - 6.5 years

**ASOP RSU-ADS plan:**

Particulars	For the year ended March 31, 2009
Exercise price	Rs. 4
Grant date share price	Rs. 1,012 - Rs. 1,063
Dividend yield (%)	0.87% - 1.10%
Expected volatility (%)	39.26% - 49.17%
Risk-free interest rate (%)	8.12%
Expected term (in years)	3.5 - 6.5 years

**Assumptions for 2007-08 ("As published" (Refer Note 39 of Schedule 18)):**

The following were the assumptions used in calculation of fair value of grants during 2007-2008:

Particulars	
Dividend yield (%)	0.78%
Expected volatility (%)	56.64%
Risk-free interest rate (%)	8%
Expected term (in years)	2.51



## **11. Share application money pending allotment**

The amount received from the associates on exercise of stock options is accounted as Share Application Money Pending Allotment. Upon allotment, the amount received corresponding to the shares allotted against the options exercised is transferred to Share Capital and Securities Premium Account (if applicable) and Fringe Benefit Tax (if applicable) recovered from associates. An amount of Rs. 304,316 is outstanding as at March 31, 2009 (as at March 31, 2008 - Rs. 18 Million "As Published" – Refer Note 39 of Schedule 18) representing amounts received from associates of the Company on exercise of stock options towards face value, securities premium and Fringe Benefit Tax recovered by the Company from the associates, pending allotment of shares.

## **12. Accounting for fixed assets / depreciation**

### **12.1 Prior period adjustments relating to fixed assets and depreciation**

There were certain errors in capitalisation of fixed assets and computation of depreciation in the past. Accordingly, during the current year, the Company has rectified the accounting for the capitalisation of such fixed assets acquired in prior years and has also re-computed the depreciation on the basis of the information available with the Management. As a result, assets amounting to Rs. 3,556 Million have been capitalised and disclosed as part of adjustments to the gross block during the current year in Schedule 4. Further, depreciation to the extent of Rs. 678 Million has been provided during the current year relating to the prior years and disclosed as part of prior period adjustments (Refer Note 3.3(iii) of Schedule 18).

### **12.2 Additional/accelerated depreciation**

The Management has carried out a detailed review of certain fixed assets as per the fixed assets register and after duly considering the usability and technical obsolescence of the same, has provided for additional/accelerated depreciation to the extent of Rs. 47 Million in the financial statements.

### **12.3 Land**

- i. In respect of its land at Hyderabad, the Company entered into an agreement with the Government of Andhra Pradesh (GoAP) for the purchase of land. The agreement is covered under the Information and Communications Technology (ICT) Policy 2002-2005 of the Information Technology & Communications department of GoAP. Pursuant to the same, the Company is eligible for the incentives, concessions, privileges and amenities applicable to Mega Projects in terms of the said policy and also certain other incentives as specified in the agreement entered into with GoAP.

As per memorandum of understanding (MOU) & other agreements, entered into by the Company, the Company has acquired the land from the GoAP. The Company has accounted for the eligible grant amounting to Rs. 96 Million towards the basic cost of the land on acquisition which was adjusted to the cost of the land as per the books of account in accordance with the accounting policy followed by the Company. In order to avail the said rebate, the Company has furnished bank guarantees aggregating Rs. 96 Million which are outstanding as at March 31, 2009. There are no other outstanding obligations in respect of the said MOU as at March 31, 2009.

- ii. The Company had also purchased land from Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) in Vishakhapatnam for a total cost of Rs. 50 Million. There are certain disputes with respect to the land purchased by the Company in Kapulupadda village, Vishakhapatnam admeasuring about 50 acres wherein the above land has been earmarked to the Indian Navy. GoAP vide its G.O. No. 1439 dated December 4, 2008, has ordered the District Collector, Vishakhapatnam to allot alternate land, by withdrawing the land to an extent of 25 acres from the Police Department and also to an extent of 25 acres from the Vishakhapatnam Urban Development Authority. The Company has requested for obtaining the allotment letters. The Management is confident that the said lands will be allotted in favour of the Company and, accordingly, the amount of Rs. 50 Million is included in Capital Advances (under Capital Work in Progress) as at March 31, 2009.

### **12.4 Accounting for vehicle loans**

The Company has an Associate Car Purchase scheme, as per which the Company purchases cars which are provided to the associates for their use. The Company finances the purchase of the cars by obtaining loans from various banks / others and the equated monthly installments are reduced from the gross salary of the associates. On completion of the term of the loan, the cars are transferred to the associates. As at March 31, 2009, the gross original cost and the net book value of the vehicles provided to the associates under the scheme aggregates Rs. 654 Million and Rs. 382 Million, respectively.

Though the vehicles provided to the associates by the Company need to be accounted for as a finance lease in accordance with Accounting Standard 19 (AS 19) – Leases, the Company could not carry out the required adjustments in the absence of all the required information to give effect to the same in the financial statements in respect of the current and prior periods. The Management believes that, taking into account the overall results and value of the fixed assets, the impact due to the non-application of AS 19 for such transactions would not be material to the financial statements.

### **12.5 Termination of asset purchase agreement**

On August 6, 2008, the Company had entered into an Asset Purchase Agreement ('APA') and revenue agreement with one of its customers. The acquisition was for a total consideration of USD 60 Million (equivalent to Rs. 2,520 Million) comprising initial payment of USD 10 Million (equivalent to Rs. 420 Million) and USD 50 Million (equivalent to Rs. 2,100 Million) in the form of promissory notes. The promissory notes were payable as follows:

- i. USD 10 Million (equivalent to Rs. 420 Million) on October 4, 2008;
- ii. USD 20 Million (equivalent to Rs. 840 Million) on December 20, 2008 and
- iii. USD 20 Million (equivalent to Rs. 840 Million) on the expiry of two years of the asset purchase agreement.

On November 14, 2008, the Company paid USD 10 Million (equivalent to Rs. 420 Million) which was originally due on October 4, 2008.

On January 15 and 22, 2009, consequent to the letter by the erstwhile Chairman, the customer served a notice on the Company terminating the APA and the revenue agreement with the customer and demanded the return of all the intellectual properties conveyed to the Company under the APA as well the immediate payment of the balance unpaid amount of USD 40 Million (equivalent to Rs. 1,680 Million) due under the promissory note.

In June 2009, the Company and the customer entered into a formal agreement to terminate the APA. Based on the termination agreement, the Company is not liable to make the balance payment of USD 40 Million (equivalent to Rs. 1,680 Million) and is required to return all the assets received under the APA. The amount already paid by the Company of USD 20 Million (equivalent to Rs. 840 Million) to the customer has been forfeited.

Pursuant to the above, necessary adjustments have been made in the financial statements based on the termination notice issued by the customer.

### **12.6 Status of infrastructure projects**

The Company had commenced its infrastructure projects in various places like Hi-Tech city (SEZ Unit), Chennai and STC Properties, with an initial budget estimates of Rs. 11,887 Million and has incurred Rs. 3,130 Million as at March 31, 2009 towards the same. Due to global recession and economic slowdown, these projects were put on hold during the period October/November 2008. Subsequent to the year end, the Company has resumed certain projects (Hi-Tech City – December 2009/January 2010 & Chennai – March 2010) with modifications to the original plans and the Company is in the process of resuming the other projects. Taking into account the future plans, the Management is of the opinion that there are no indications of impairment with respect to these projects and, hence, no provision/adjustment is required to be made in the financial statements.

### **12.7 Accounting for Enterprise Resource Planning (ERP) software**

The Company entered into an agreement for purchase of an ERP software on March 31, 2008 aggregating Rs. 451 Million, which was not accounted as at March 31, 2008. During the current year, the Company has accounted for this amount of Rs. 451 Million under Capital work-in-progress pending use and installation of the software and has also created an impairment provision as at March 31, 2009 since the Management has not finalised its plan for implementation of the ERP software. Further, the AMC charges amounting to Rs. 54 Million claimed by the ERP vendor pursuant to the above purchase have not been accounted by the Company since the software has not been installed/put to use and no maintenance service has been rendered.

### **12.8 Physical verification of fixed assets**

The Management has not conducted a physical verification of fixed assets during the year ended March 31, 2009. Subsequent to the year end, the Company has conducted a physical verification of a substantial part of its fixed assets using the services of an external consultant, the net impact of which is Rs. 2 Million to be written off in the Profit and Loss account. In the absence of adequate/complete information, the Company is unable to roll back the differences between the books of account and the data as per the physical verification to March 31, 2009, and, hence, no adjustments for such discrepancies have been made in the financial statements.

## **13. Investments**

- 13.1** The Company had in the previous year ended March 31, 2008, acquired 50% of equity in C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) ('CA Satyam') for a consideration of Rs 72 Million. Pursuant to the Share Purchase Agreement dated April 30, 2008 entered into by the Company with Computer Associate Satyam JV Corporation, United States, the Company acquired the balance 50% equity held by Computer Associate Satyam JV Corporation in CA Satyam for a total consideration of Rs. 56 Million and, hence, CA Satyam became a subsidiary of the Company with effect from September 25, 2008. The total consideration was paid in equal installments of Rs. 28 Million each on September 25, 2008 and December 15, 2008. Pursuant to the acquisition of the shares by the Company, CA Satyam has been renamed as C&S System Technology Private Limited.





**13.2** On October 23, 2007, the Company announced its intention to acquire 100% of the shares of Nitor Global Solutions Ltd, United Kingdom ("Nitor"), a company specialised in the Infrastructure Management Services (IMS) space. The total consideration for this acquisition is approximately GBP 2.76 Million (equivalent to Rs. 224 Million) including a performance-based payment of up to GBP 1.30 Million (equivalent to Rs. 102 Million) over two years conditional upon specified revenue and profit targets being met. The Company paid an initial consideration of GBP 1.46 Million (equivalent to Rs. 122 Million) on January 4, 2008. During the year ended March 31, 2009, the Company paid a further consideration of GBP 0.57 Million (equivalent to Rs. 46 Million) towards R&D earn out comprising of GBP 0.07 Million (equivalent to Rs. 6 Million) on August 14, 2008, first year earn out of GBP 0.30 Million (equivalent to Rs 22 Million) on December 10, 2008 and a final payment of GBP 0.20 Million (equivalent to Rs.15 Million) on March 26, 2009. With these payments, the Company has fulfilled all obligations towards this acquisition agreement.

**13.3** During May 2005, the Company acquired Citisoft ('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 GBP 7.05 Million (equivalent to Rs. 624 Million) (inclusive of acquisition costs) and a deferred consideration of GBP 1.75 Million (equivalent to Rs. 136 Million). The Company was also required to pay a maximum earn out consideration aggregating GBP 2.25 Million (equivalent to Rs. 184 Million) based on achievement of targeted revenues and profits and Employee Benefit Trust (EBT) contribution of GBP 0.9 Million (equivalent to Rs. 80 Million).

On June 29, 2006, the Company acquired the remaining 25% shareholding for a consideration of GBP 3.26 Million (equivalent to Rs. 275 Million) and a maximum earn-out consideration of GBP 3.54 Million (equivalent to Rs. 289 Million) based on achievement of targeted revenues and profits and a maximum EBT contribution of GBP 1.80 Million (equivalent to Rs. 147 Million) contingent on Citisoft achieving certain revenue and profit performance targets. The Company paid GBP 0.08 Million (equivalent to Rs. 7 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 GBP 1.74 Million (equivalent to Rs. 143 Million) and payment towards EBT of GBP 0.08 Million (equivalent to Rs. 7 Million) was 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 recognised as cost of investment by the Company.

During the year, the Company has adjusted the cost of investment in Citisoft for an amount of Rs. 15 Million on account of incorrect application of exchange rate for accounting the acquisition in the prior years.

**13.4** During October 2005, the Company acquired Knowledge Dynamics Pte Ltd ('KDPL Singapore'), 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, Singapore for a consideration of SGD 5.52 Million (equivalent to Rs. 146 Million) (inclusive of acquisition costs) and a maximum earn out consideration of SGD 1.84 Million (equivalent to Rs 49 Million) 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, Singapore 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 SGD 1.11 Million (equivalent to Rs. 30 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 SGD 0.37 Million (equivalent to Rs. 10 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 SGD 0.74 Million (equivalent to Rs. 21 Million) on or before May 15, 2008. The actual amount of earn-out payment made during 2008-09 based on the revenue of KDPL, Singapore for the year 2007-08 was SGD 0.34 Million (equivalent to Rs. 11 Million) which has been added to the cost of investment during the current year.

**13.5** On January 21, 2008, the Company entered into a definitive purchase agreement to acquire 100% of the membership interests of Bridge Strategy Group, LLC ('Bridge'), a Chicago based strategy and general management consulting firm, for total cash consideration of up to USD 35 Million (equivalent to Rs. 1,489 Million) to be paid over 2.5 years, comprising upfront consideration of USD 19 Million (equivalent to Rs. 761 Million) payable on consummation of the transaction, deferred non-contingent consideration of USD 8 Million (equivalent to Rs 321 Million) payable in August 2009 and contingent consideration of USD 8 Million (equivalent to Rs 407 Million) payable in October 2010. The contingent consideration is payable to the selling shareholders on satisfaction of conditions prescribed in the Membership Interest Purchase Agreement, entered into with the selling shareholders.

The transaction was consummated on April 4, 2008 and the upfront consideration of USD 19 Million (equivalent to Rs 761 Million) was paid. Further, the deferred non-contingent consideration mentioned above of USD 8 Million (equivalent to Rs 321 Million) was paid to the selling shareholders subsequent to the year end in August 2009. As at March 31, 2009, the Company has accounted for an amount of USD 27 Million (equivalent to Rs. 1,082 Million), representing the upfront consideration and the deferred non-contingent consideration, as cost of investment in the books of account.

On February 12, 2009, the key executives of Bridge served a notice on the Company that they had “Good Reason”, as defined in the purchase agreement and each of their employment agreements, to terminate their employment with Bridge and retain all rights to receive payment of the then unpaid portion of the purchase consideration.

*RSUs*

Pursuant to employment agreements entered into by Bridge with each of the key executives of Bridge at the closing of the acquisition, in July 2008 and July 2009, the Company issued a total number of 235,121 RSUs to these key executives having an aggregate value at the time of issuance of USD 6 Million, and subject to vesting terms as set forth in the agreements entered into with each such key executive.

In the notice served by the key executives of Bridge on February 12, 2009, the key executives demanded cash payment of USD 6 Million in lieu of RSUs issued to them.

Currently, the Company is under discussion with the key executives of Bridge for an amicable settlement.

- 13.6** Nitor Global Solutions Limited (“Nitor”), one of the subsidiaries of the Company, entered into an agreement dated April 21, 2008 with the shareholders of S&V Management Consultant NV, Belgium (“S&V”) for the purchase of 100% of the shares held by them in S&V for a total consideration of EUR 22.50 Million, comprising of initial consideration, deferred payment and conditional payments over a period of 3 years from the date of the agreement.

On December 11, 2008, the Company invested an amount of Rs. 1 Million in a new subsidiary incorporated in Belgium, namely, Satyam Computer Services Belgium BVBA (“Satyam Belgium”), primarily for the purpose of acquiring the shares in S&V as mentioned below.

Pursuant to an agreement dated October 9, 2008 between Nitor, the selling shareholders of S&V and Satyam Belgium, all the rights and obligations of Nitor have been transferred to Satyam Belgium.

- 13.7** The Company has incorporated subsidiaries in Mexico (Satyam Computer Services De Mexico S.DE R.L.DE C.V) and Brazil (Satyam Servicios De Informatica LTDA). However, no investments have been made by the Company in these subsidiaries as at March 31, 2009 and, consequently, these have not been included as part of Investments disclosed in Schedule 5 to the Balance Sheet as at March 31, 2009.

**13.8 The details of investments purchased and sold during the year are given below:**

Particulars	Number of shares purchased during the year	Number of shares sold during the year
C&S System Technology Private Limited (Refer Note 13.1 of Schedule 18 )	7,168,995 Equity Shares of Rs. 10 each	-
Satyam Computer Services Belgium, BVBA	185,500 Shares of EUR 0.10 each	-
Satyam Computer Services (Shanghai) Co. Limited	Note (i) below	-
Satyam Computer Services (Nanjing) Co. Limited	Note (i) below	-
Knowledge Dynamics Pte Ltd	Note (ii) below	-
Nitor Global Solutions Limited	Note (ii) below	-
Bridge Strategy Group LLC	Note (iii) below	-

**Notes:**

- i. Investments in these entities are not denominated in number of shares as per laws of the People’s Republic of China and, hence, the particulars relating to number of shares purchased have not been disclosed.
- ii. The additions to cost of investments in these entities during the year represent the earn out consideration paid as per the terms of the agreements entered into with the selling shareholders and no additional shares have been purchased during the year.
- iii. Bridge Strategy Group LLC is a Limited Liability Company, limited by Membership Interest. SCSL has purchased 100% of the Membership Interest from the selling shareholders as described in Note 13.5 of Schedule 18 above, and, hence, the particulars relating to number of shares purchased have not been disclosed.

**13.9 Provision for diminution in the value of investments**

During the year ended March 31, 2009, with the assistance of independent professional agencies, the Company has assessed the operations of the subsidiaries, including the future projections, to identify indications of diminution, other than temporary, in the value of the investments recorded in the books of account and, accordingly, has made the following provisions:



<b>(Rs. in Million)</b>	
<b>Name of the Subsidiary</b>	<b>Amount</b>
Satyam BPO Limited	2,735
Knowledge Dynamics Pte. Ltd.	197
Satyam Computer Services (Nanjing) Company Limited	177
Nitor Global Solutions Limited	143
Satyam Computer Services (Egypt) S.A.E.	11
Bridge Strategy Group LLC	1,082
Satyam Technologies Inc	141
Citisoft Plc	613
Satyam Computer Services (Shanghai) Co. Limited	251
Satyam Computer Services Belgium, BVBA	1
<b>Total</b>	<b>5,351</b>

#### 14. Accounting for revenue and debtors

##### 14.1 Sundry debtors

- (i) Sundry Debtors as at March 31, 2009 is net of unapplied receipts amounting to Rs. 6,956 Million. Based on invoice wise details for the collections amounting to Rs. 6,000 Million received from the customers subsequent to the year end, the Company has adjusted the collections against the invoices. In respect of the balance amount of Rs. 956 Million, the adjustment has been done based on the Management's assessment.
- (ii) Classification of Sundry Debtors as debts outstanding for a period exceeding six months/others has been done by the Company based on the information available with the Management duly considering the date of the invoices/outstanding amounts as per the books of account and after adjusting for the unapplied receipts as mentioned above.
- (iii) The Management has made an assessment of the recoverability of debts outstanding as at March 31, 2009. Based on such assessment, provision for doubtful debts aggregating Rs. 4,046 Million has been made in the books of account as at March 31, 2009 resulting in a charge of Rs. 2,626 Million to the Profit and Loss account. Such provision has been made by the Company primarily based on the Management's assessment regarding the realisability of the outstanding amounts, adjusted for the unapplied receipts as mentioned above, duly taking into account the subsequent collections.

##### 14.2 Accounting for contracts under percentage completion method

Revenue from fixed-price engagements require appropriate estimation of the eligible costs which include salaries and related expenses of technical employees, related communication expenses, travel costs, etc. Revenue and the related costs for these projects are recognised on the percentage of completion method as per the accounting policy of the Company, 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.

The Company has noted various discrepancies in the application of the percentage of completion method in the prior years. Further, the Company does not possess all the required documentation to support the initial estimates used/revision in estimates which would have formed the original basis of application of the percentage completion method for the current year. Hence, the Company has accounted for the revenue from fixed price engagements for the year ended March 31, 2009 using significant Management estimates in respect of costs and hours expected to be incurred based on current information available, subsequent developments etc., in respect of such contracts to arrive at the percentage of completion as at the closing Balance Sheet date of March 31, 2009 as well as at the opening balance date as at April 1, 2008. In the opinion of the Management, the use of such estimates/ subsequent information should not result in a material adjustment to the financial statements of the Company.

##### 14.3 Unbilled revenue

As per the practice followed by the Company, the Company accounts for unbilled revenue based on all services rendered up to the Balance Sheet date in advance of billing as per the terms of the Contract. The Management has analysed all such services rendered during the year remaining unbilled as at the Balance Sheet date as well as those services relating to the current year /prior period billed subsequently to ensure proper cut-off and the required adjustments have been carried out in the financial statements of the Company based on the available information.

The Management has also identified cases where there are losses expected in the execution of certain projects of the Company. Losses arising on account of such contracts have been estimated based on a detailed analysis done by the Management taking into account the information available with the Company and the future obligations of the Company.

Accordingly, a provision for such contract losses to the extent of Rs. 443 Million has been made as at March 31, 2009.

Consequently, unbilled revenue of Rs. 2,782 Million (net of provision for anticipated losses) has been recognised as at March 31, 2009.

Further, a total amount of Rs.3,048 Million of revenue relating to prior years have been accounted as revenue during the year ended March 31, 2009, which has been disclosed under prior period adjustments in the Profit and Loss account. Refer Note 3.3(iii) of Schedule 18.

#### **14.4 Accounting for multiple deliverables and obligations of the Company**

Some of the revenue contracts of the Company contain various clauses as per which more than one deliverable is to be provided to the customers. For example, the contracts provide for deliverables like certain special benefits, supply of hardware equipments/software licenses etc in addition to the services to be rendered.

Similarly, with respect to the services rendered, the Company has certain obligations towards the customers as per the terms of the contracts such as right of refunds, discounts, service credits etc.

The Company has accounted for the above referred multiple elements in the revenue contracts based on and to the extent of the information available/compiled by the Management.

#### **14.5 Accounting for hardware equipment and other items**

As mentioned in Note 14.4 of Schedule 18, some of the contracts with the customers involve the supply of hardware equipments and other items by the Company. The Company has accounted for the purchase of hardware equipment and other items under Cost of Hardware Equipments and Other Items Sold and has accounted for the sale of such items under Sale of Hardware Equipment and Other Items. Unsold items of hardware equipments and other items are disclosed as Inventory as at March 31, 2009.

During the current year, the Company has identified and accounted for such items of hardware equipment and other items as mentioned above based on the information available with the Company. Further, the Company has made the necessary quantitative disclosures based on the information available with the Company as at the year end. Refer Note 37 of Schedule 18.

#### **14.6 Post contract services/warranties**

As per the terms of the contracts, the Company provides post contract services/warranty support to some of its customers. The Company did not have adequate documentation in respect of historical information on the amount incurred by the Company towards such costs incurred. In the absence of the required information, the Company has accounted for the provision for warranty/post contract support on the basis of the information available with the Management duly taking into account the current technical estimates. Refer Note 35.1 of Schedule 18.

#### **14.7 Unearned revenue adjustments**

An amount of Rs. 941 Million (including Rs. 240 Million relating to prior years – Refer Note 3.3(iii) of Schedule 18) originally accounted as part of unearned revenue has been transferred to revenue during the year ended March 31, 2009 based on Management's assessment, in the absence of all the required documentation.

#### **14.8 Accounting for credit notes issued to customers**

As per the practice followed by the Company, credit notes are issued to customers on account of double count of efforts/incorrect rates used, penalties, etc., in respect of invoices raised earlier, as and when such instances are noted/identified. The Management has analysed all such credit notes raised during the year as well as those issued subsequently to ensure proper cut-off and the required adjustments have been carried out in the financial statements.

In this respect, credit notes for a total amount of Rs.1,680 Million relating to prior years have been adjusted against revenue during the year ended March 31, 2009, which has been disclosed under prior period adjustments in the Profit and Loss account. Refer Note 3.3(iii) of Schedule 18.

#### **14.9 Reimbursements/recoveries from customers**

As per the practice followed by the Company, reimbursements/recovery received/receivable from customers are accounted for based on invoices raised on customers. As per the system followed by the Company, the expenses are charged off to the Profit and Loss account as and when incurred and the reimbursements/recoveries are credited to the Profit and Loss account as and when invoiced on the customers.

The Management has carried out an analysis of all such reimbursement/recoveries of expenses received/receivable during the current year and the required adjustments for the reimbursements/recoveries from customers have been carried out in the financial statements based on the information available.

#### **14.10 Accounting for a specific loss contract**

The Company entered into a Master Service Agreement with one of the customers for providing services relating to Core Banking Solutions. As per the agreement, the Company is also required to supply the customer with various hardware equipments and software components, networking equipments, etc. The Company had incurred an amount of Rs.167 Million as at March 31, 2008 towards purchase of hardware equipments, software licenses and network equipments, etc., and had accounted for the same as Reimbursable Expenses under Current Assets. As at March 31, 2009, the Company has incurred a net cumulative amount of Rs.470 Million towards the purchase of hardware equipments, software licenses and network equipments, etc., for this contract.

Subsequent to the year end, the Company has entered into a novation agreement with the customer as per which it was decided to handover all the hardware equipments, software licenses and network equipments, etc., procured by the Company for this project



and all liabilities/claims whatsoever from either party would stand extinguished pursuant to the same. Based on Management's assessment, a loss towards the contract has been considered to the extent of Rs. 611 Million as at March 31, 2009 representing Rs. 141 Million towards unbilled efforts accounted and Rs. 470 Million towards the Inventory of hardware equipments, software licenses and network equipments etc. Out of the total loss amount, Rs. 470 Million has been accounted for by way of adjustment of Net Realisable Value (NRV) of Inventories in the books as at March 31, 2009 and the balance amount of Rs. 141 Million has been accounted for as an allowance towards unbilled revenue as at March 31, 2009.

**15. Liabilities/provisions no longer required written back**

During the current year, the Management has written back excess liabilities and provisions amounting to Rs. 248 Million made in the earlier years which, in the opinion of the Management, are no longer required to be carried in the books of account as at March 31, 2009. The details of the amounts written back during the year are as under:

Particulars	<i>(Rs. in Million)</i>
	<b>Year ended March 31, 2009</b>
Reversal of Excess Provision for Sales Commission	173
Reversal of Excess Provision for Personnel Costs	46
Others	29
<b>Total</b>	<b>248</b>

**16. Accounting for transactions with an international sports federation**

The Company had entered into an agreement with an international sports federation (the federation) in the financial year 2007-08 pursuant to which the Company has been granted various sponsorship rights in respect of the events conducted by the federation to be held in 2009, 2010, 2013 and 2014. As per the agreement, the Company also renders various IT related services to the federation towards its events in its capacity as the "Official IT Service Provider" to the federation.

Based on the terms of the agreement, the Company is required to discharge the consideration for sponsorship rights partly in the form of cash and partly in the form of services in lieu of cash ("Value in Kind"). The Management believes that the sponsorship payments are in the nature of an intangible item since these are predominantly for the purpose of advertising and promotion and, hence, the same should be expensed as incurred in the respective years. Accordingly, the sponsorship charges amounting to Rs. 102 Million incurred during the current year has been expensed off to the Profit and Loss account under the head Marketing Expense and the amount of sponsorship charges relating to prior years amounting to Rs. 40 Million has been accounted under prior period adjustments in the Profit and Loss account. Refer Note 3.3(iii) of Schedule 18.

Further, as at March 31, 2009 the Company has accounted for an amount of Rs.404 Million (both invoiced and unbilled revenue) (including prior period adjustments amounting to Rs. 19 Million) towards the services rendered by the Company to the federation and, in accordance with the agreement, an equivalent amount of Rs. 404 Million has been accounted as provision for the Value in Kind sponsorship charges (including prior period adjustments amounting to Rs. 103 Million). Refer Note 3.3(iii) of Schedule 18.

As per the arrangement, the Company will be paying this amount of Value in Kind sponsorship charges to the federation on receipt of the invoice from them. Subsequent to the same, the federation will be paying back to the Company the amount of services invoiced by the Company. As at March 31, 2009 the amount of services rendered (Rs. 404 Million) and the corresponding amount of provision for Value in Kind sponsorship charges (Rs. 404 Million) has been disclosed on a gross basis under the heads Income from Operations/Prior Period Adjustments and Marketing Expenses/Prior Period Adjustments in the Profit and Loss account with a corresponding amount accounted in Sundry Debtors and Sundry Creditors, respectively.

Subsequent to the year end, the Company has entered into a Memorandum of Understanding with the federation as per which the contractual obligations relating to the 2013 and 2014 events stand cancelled.

**17. Residual dividend**

During the year ended March 31, 2008, the Company had accounted for the proposed dividend and dividend tax thereon for the number of equity shares existing as on the records of the Company as at April 10, 2008. The dividend amounting to Rs. 7 Million and the related dividend tax amounting to Rs. 1 Million for the additional number of equity shares issued by the Company, pursuant to the ASOP Schemes, from April 11 to August 26, 2008, being the dividend record date for the final dividend for the year 2007-2008, has been accounted in the Profit and Loss account.

**18. Cash and bank balances**

The details of balances with non-scheduled banks:

*(Rs. in Million)*

Name of the bank	Balances as at March 31,		Maximum amount outstanding at anytime during the year ended March 31,	
	2009	2008 "As published" (Refer Note 39 of Schedule 18)	2009	2008 "As published" (Refer Note 39 of Schedule 18)
<b>Current accounts</b>				
Banco do Brasil S.A., Brazil	3	13	19	23
Banque National De Paris, Brussels	32	12	55	34
Banque National De Paris, France	23	21	58	23
Banque National De Paris, Hague	42	15	146	76
Banque National De Paris, Ireland	7	10	19	17
Banque National De Paris, Italy	6	6	11	11
Banque National De Paris, Saarbruecken	104	22	206	109
Banque National De Paris, Spain	7	5	9	11
Banque National De Paris, Switzerland	126	70	172	122
Banque National De Paris, Saudi Arabia	125	51	125	62
Banque National De Paris, Taipei	15	11	17	29
Citi Bank International Plc, Finland	2	-	4	-
Citibank NA, Bangkok	28	175	182	191
Citibank NA, Brazil	27	18	42	52
Citibank NA, Denmark	42	11	52	21
Citibank NA, Dubai	8	5	343	44
Citibank NA, Hong Kong	16	4	17	16
Citibank NA, Hungary	11	5	12	8
Citibank NA, Kuala Lumpur	4	1	120	37
Citibank NA, Kenya	20	-	21	-
Citibank NA, London	1	21	40	31
Citibank NA, New York	469	133	851	551
Citibank NA, New Zealand	54	16	58	29
Citibank NA, Seoul	17	101	107	126
Citibank NA, Romania	1	-	1	-
Citibank NA, Singapore	61	53	136	125
Citibank NA, Johannesburg	83	160	167	182
Citibank NA, Sydney	304	454	775	667
Citibank International Plc, Stockholm	8	11	72	13
Citibank NA, Toronto	49	42	191	133
Citibank NA, Colombo	6	41	53	42
New York, Citibank	-	0	-	14
Dresdner Bank, Saarbruecken	25	37	25	69
HSBC Bank Plc, Czech Republic	8	0	14	10
Hong Kong and Shanghai Banking Corporation, London	192	102	746	365
Hong Kong and Shanghai Banking Corporation, Shanghai	-	0	0.20	0
Hong Kong and Shanghai Banking Corporation, Tokyo	167	104	167	286

Contd.



(Rs. in Million)

Name of the bank	Balances as at March 31,		Maximum amount outstanding at anytime during the year ended March 31,	
	2009	2008 "As published" (Refer Note 39 of Schedule 18)	2009	2008 "As published" (Refer Note 39 of Schedule 18)
Hong Kong and Shanghai Banking Corporation, Mauritius	2	1	29	2
Hong Kong and Shanghai Banking Corporation, Middle East Limited	19	-	19	-
Woori Bank, Korea	-	-	1	6
Koonmin Bank, Korea	-	-	0	6
KBC Bank NV, Brussels	14	12	52	78
Mitsui Sumitomo Bank , Tokyo	8	14	52	50
UBS Bank, Switzerland	14	1	14	88
Unicredit Banca, Italy	4	9	13	11
United Bank, Vienna	1	19	933	761
Wachovia Bank, New Jersey	68	12	81	179
<b>Total</b>	<b>2,223</b>	<b>1,798</b>		
<b>Deposit accounts</b>				
Citibank NA, Hungary	<b>8</b>	<b>9</b>	9	9

**19. Debts and loans and advances due from subsidiaries**

i. The details of debts due from subsidiaries as at March 31, 2009 are given below:

Particulars	Balances as at March 31, 2009 (Rs. in Million)
Satyam Computer Services (Shanghai) Company Limited	75
Satyam Computer Services (Nanjing) Company Limited	5
Satyam BPO Limited	94
Satyam Japan KK	96
Satyam (Europe) Limited	116
Satyam Computer Services (Egypt) S.A.E.	38
Citisoft Plc	26
Knowledge Dynamics Private Limited	1
Satyam Technologies, Inc.	28
Satyam Venture Engineering Services Private Limited	118
S&V Management Consultants N.V	6
Citisoft Inc	15
<b>Total</b>	<b>618</b>



- ii. The details of loans and advances to subsidiaries, including share application money pending allotment, as at March 31, 2009 and March 31, 2008 are given below:

*Rs. in Million*

Particulars	Balances as at March 31,		Maximum amount outstanding at anytime during the year ended March 31,	
	2009	2008 "As published" (Refer Note 39 of Schedule 18)	2009	2008 "As published" (Refer Note 39 of Schedule 18)
Satyam BPO Limited	1,064	168	1,064	974
Satyam Technologies Inc,	-	-	13	23
Satyam Computer Services (Shanghai) Co. Ltd.	1	13	29	34
Knowledge Dynamics Private Limited	1	2	2	2
Satyam Computer Services (Egypt) S A E	42	13	42	19
Citisoft Plc.	44	-	44	-
Satyam Europe	302	-	302	-
Vision Compass	346	-	346	-
Satyam Computer Services Belgium, BVBA	762	-	762	-
<b>Total</b>	<b>2,562</b>			

- iii. The Management of the Company has carried out a detailed assessment of the amounts due from subsidiaries mentioned above, duly taking into account the provision for diminution in the value of investments made in these subsidiaries and has created appropriate provision amounting to Rs. 2,728 Million (Rs. 471 Million relating to doubtful debts and Rs. 2,257 Million relating to doubtful advances) in respect of the amounts considered as doubtful as at March 31, 2009.
- iv. Identification of related parties, companies under the same management, etc.  
 Identification of the related parties/ parties covered under Section 301 of the Act, companies under the same management as defined under Section 370(1B) of the Act, firms/private limited companies in which a director is a member or a partner and the non-scheduled banks where the directors of the Company are interested has been done by the Management to the extent of the information available with the Company.  
 Taking into account the forensic investigation and the information available with the Management, the Management has identified the related parties/ companies under the same management and the Company has made necessary disclosures/maintained necessary registers as required by the Accounting Standards/the Act on the basis described above. However, there may be additional related parties whose relationship would not have been disclosed to the Company and, hence, not known to the Management.
- v. Disclosure pursuant to clause 32 of the listing agreement

Particulars	Loans and advances in the nature of loans	Amount outstanding as at March 31, 2009	Maximum amount outstanding during the year
To subsidiaries		Refer Note 19(ii) of Schedule 18	
To associates	-	-	-
To firms/companies in which directors are interested (other than subsidiaries/associates mentioned above)	-	-	-
Where there is:			
No repayment schedule	-	-	-
Repayment beyond seven years	-	-	-
No interest	-	-	-
Interest rate below as specified under Section 372A of the Act	-	-	-

**Note:** Investments by the loanee in the shares of parent company and subsidiary company - Nil

## 20. Dues to micro, small and medium enterprises

The Management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, based on and to the extent of information available with the Company, the relevant particulars as at March 31, 2009 are as under:



(Rs in Million)

Particulars	Amount
Principal amount due to suppliers under MSMED Act as at March 31, 2009	15
Interest accrued and due to suppliers under MSMED Act on the above amount as at March 31, 2009	3
Payment made to suppliers (other than interest) beyond the appointed day, during the year	-
Interest paid to suppliers under MSMED Act (other than Section 16)	-
Interest paid to suppliers under MSMED Act (Section 16)	-
Interest due and payable to suppliers under MSMED Act, for payments already made	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	3

Refer Note 39 of Schedule 18 with respect to disclosures relating to the Previous Year.

## 21. Managerial remuneration

Computation of profit in accordance with Section 198 and Section 349 of the Companies Act, 1956 and calculation of commission payable to the directors:

(Rs. in Million)

Particulars	For the year ended March 31, 2009	For the year ended March 31, 2008 "As published" (Refer Note 39 of Schedule 18)
(Loss)/ Profit after tax	(79,352)	17,157
Add:		
Managerial remuneration	7	46
Directors' sitting fees (Rs. 460,000)		1
Depreciation as per Profit and Loss account	2,972	1,379
Loss on sale of fixed assets (net) as per Profit and Loss account	323	18
Provision for doubtful debts and advances	4,696	308
Professional fees paid u/s 314 of the Act to Krishna G Palepu	5	
Contribution to Satyam foundation trust	29	
Tax deducted at source written off	37	
Provision for Capital Work in Progress	587	
Provision for Unexplained Differences	34	
Provision for Contingencies	4,750	
Provision for Diminution in the Value of Investments	5,351	
Wealth tax	3	2
Provision for tax	1,531	2,261
Less:		
Depreciation as per Section 350 of the Act	2,972	1,379
Loss on sale of fixed assets (net) as per Section 350 of the Act	323	18
<b>Net (loss)/profit for Section 198 of the Act</b>	<b>(62,322)</b>	<b>19,775</b>
Commission to Chairman/Managing Director restricted to	-	4
Commission to Non-executive Directors @1% of Net Profit u/s 349, restricted to	Refer Note 8.1(i) of Schedule 18 above	7

### Notes:

- i. Managerial remuneration payable for the current year has been computed based on the minimum remuneration payable in accordance with Schedule XIII of the Act and comprises of:

Particulars	Amount (Rs. in Million)
Salaries and allowances	6
Contribution to provident and other funds	1
Commission to non-executive directors	Nil
<b>Total</b>	<b>7</b>

- ii. The above figures of salaries and allowances do not include provision for compensated absences, gratuity etc as separate valuation/ details are not available.
- iii. Details of ASOP granted to directors during the current year:
  - Options granted and outstanding to non-executive directors of the Company 40,000 {includes 26,250 options granted under ASOP – RSUs and 13,750 options granted under ASOP – RSUs (ADS)}
  - Options granted and outstanding to a whole-time director 514,860{496,110 options granted under ASOP – ADS and 18,750 options granted under ASOP – RSUs (ADS)}
- iv. Also Refer Note 8.1(i) of Schedule 18 in respect of payment of remuneration in excess of limits prescribed under Schedule XIII.

**22. Auditors' remuneration (net of Service Tax Input Credit, where applicable)**

Particulars	<i>(Rs. in Million)</i>	
	For the year ended March 31, 2009 (Refer Notes (i) to (iii) below)	For the year ended March 31, 2008 "As published" (Refer Note 39 of Schedule 18)
Statutory audit fees	57*	34
Tax audit fees	5	1
Other services	8	1
Reimbursement of expenses	2	1
<b>Total</b>	<b>72</b>	<b>37</b>

\*Including the audit of prior period items. The statutory audit fees is subject to the approval of the shareholders.

**Notes:**

- (i) The above amount excludes Rs.71 Million (fees and expenses) accounted and paid during the current year to networked firms of the current statutory auditors towards forensic investigation prior to their appointment as statutory auditors.
- (ii) The above amount excludes Rs.1 Million paid during the current year to networked firms of the current statutory auditors towards other services prior to their appointment as the statutory auditors.
- (iii) The above amount for the current year include Rs.11 Million paid to the previous auditors.

**23. Earnings in foreign exchange**
**For the year ended March 31, 2009 – on accrual basis**

Particulars	Amount (Rs. in Million)
Information Technology and Consulting Services	79,621
Sale of equipment and Other Items	1,079
Reimbursements from customers	969
Other Income	331
<b>Total</b>	<b>82,000</b>

**Note:**

During the current year, the Company has changed its method of disclosure to accrual basis as against receipt basis followed in the previous year.

**For the year ended March 31, 2008 "As published" (Refer Note 39 of Schedule 18) – on receipt basis**

Particulars	Amount (Rs. in Million)
Information Technology and Consulting Services	65,354



**24. C.I.F. value of imports**

*(Rs. in Million)*

Particulars	For the year ended March 31, 2009	For the year ended March 31, 2008 "As published" (Refer Note 39 of Schedule 18)
Capital goods	892	916
Others	341	-
<b>Total</b>	<b>1,233</b>	<b>916</b>

**25. Expenditure in foreign currency**

**For the year ended March 31, 2009 – on accrual basis**

Particulars	Amount (Rs. in Million)
Salaries and bonus	31,455
Contribution to provident and other funds	2,707
Staff welfare expenses	1,019
Travelling and conveyance	1,975
Legal and professional charges	1,616
Others	7,138
<b>Total</b>	<b>45,910</b>

**Note:**

During the current year, the Company has changed its method of disclosure to accrual basis as against payment basis followed in the previous year.

**For the year ended March 31, 2008 "As published" (Refer Note 39 of Schedule 18) – on payment basis**

Particulars	Amount (Rs. in Million)
Travelling expenses	1,401
Expenditure incurred at overseas branches	44,154
Others	818

**26. Dividends remitted in foreign currency**

**2008-09**

The Company remits the equivalent of the dividends payable to the holders of American Depository Shares (ADS) in Indian Rupees to the depository bank, which is the registered shareholder on record for all owners of the Company's ADSs. The depository bank purchases the foreign currencies and remits the dividends to the ADS holders. During the current year, the Company remitted Rs. 326 Million towards final dividend for the financial year 2007-2008 and Rs. 130 Million towards the interim dividend for the current year in Indian Rupees to the depository bank.

The Company has remitted some amounts in foreign currencies to non-resident shareholders other than the ADS holders on account of dividends during the year, the details of which are given below.

Particulars	For the year ended March 31, 2009	
Number of non-resident shareholders at the time of remittance	1	
Number of equity shares (face value Rs. 2 each)	25,000	
Dividend for the year	2008-2009 (Interim)	2007-2008 (Final)
Amount remitted (excluding dividend distribution tax thereon) – Rs. in Million	0.03	0.06

The Company does not have the information as to the extent to which remittance, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders to whom remittances were made by the Company in Indian Rupees.

**2007-2008 ("As published" (Refer Note 39 of Schedule 18))**

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 ADRs in Indian Rupees to the depository bank which is the registered shareholder on records for all owners of the Company's ADRs. The depository bank purchases the foreign currencies and remits dividend to the ADR holders. The Company remitted Rs. 456 Million during the year 2007-08.

**27. Government grants**

**27.1** The Company has received a grant from Multimedia Development Corporation (an agent of the Government of Malaysia) in the form of fully-fitted premises and reimbursement of salary costs for establishment of global delivery center. The fully fitted premises received under the grant have been recorded at nominal value under fixed assets. The reimbursement received in 2008-09 for salary costs of 2007-08 amounting to MYR 8.5 Million (equivalent to Rs. 122 Million) and the reimbursement received/receivable for salary costs of 2008-09 amounting to MYR 9.84 Million (equivalent to Rs. 141 Million) has been accounted as Other Income during the current year.

**27.2** The Company has received a grant from the Ministry for Information and Communication Technology, Australia (the Ministry) aggregating AUD 0.94 Million (equivalent to Rs.33 Million) towards reimbursement of salary costs for the period from July to September 2008 in December 2008. Pending fulfillment of obligations under the agreement, the Company has not accounted the same as income during the year 2008-09 but has accounted for the same as a liability as at March 31, 2009. Subsequent to the year end, this amount has been refunded back to the Ministry in November 2009 since the agreement was terminated by the Ministry pursuant to non fulfillment of the conditions by the Company.

**27.3** The Company has received a non-monetary grant from Deakin University, Australia in the form of 25 acres of land in July 2008. Subsequent to the year end, the agreement with Deakin University was terminated pursuant to non fulfillment of conditions by the Company and the land allotted has been surrendered back.

**28. Employee benefits**
**28.1 Gratuity**

The Gratuity plan of the Company is a defined benefit plan and is unfunded. The details of actuarial data with respect to Gratuity are given below:

	<i>(Rs. in Million)</i>	
<b>Detail of actuarial valuation</b>	<b>For the year ended March 31,2009</b>	<b>For the year ended March 31, 2008 "As published" (Refer Note 39 of Schedule 18)</b>
<b>Change in benefit obligation</b>		
Projected benefit obligation as at year beginning	705	473
Current service cost	193	130
Interest cost	63	34
Actuarial loss	87	118
Benefits paid	(50)	(50)
<b>Projected benefit obligation as at year end</b>	<b>998</b>	<b>705</b>
<b>Amounts recognised in the Balance Sheet</b>		
Present value of obligation	998	705
Fair value of the plan assets at the year end	-	-
<b>Liability recognised in the Balance Sheet</b>	<b>998</b>	<b>705</b>
<b>Cost of defined benefit plan for the year</b>		
Current service cost	193	130
Interest on obligation	63	34
Actuarial loss recognised in the year	87	118
<b>Net cost recognised in the Profit and Loss account</b>	<b>343</b>	<b>282</b>
<b>Assumptions</b>		
Discount rate (% p.a)	7%	7.50%
Future salary increase(% p.a)	0% for the first year and 10% thereafter	7.00%
Mortality	LIC (1994-96)	
Attrition (% p.a)	15%	



#### Notes for 2008-09:

- (i) The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (ii) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.
- (iii) Experience adjustments:

**(Rs. in Million)**

Particulars	Year ended		
	March 31, 2007	March 31, 2008	March 31, 2009
Defined Benefit Obligation	473	705	998
Plan assets	-	-	-
Surplus / (deficit)	(473)	(705)	(998)
Experience Adjustments on plan Liabilities	94	101	43
Experience Adjustments on Plan Assets	-	-	-

#### 28.2 Compensated absences

The key assumptions, as provided by an independent actuary, used in the computation of provision for compensated absences are as given below:

Particulars	For the year ended March 31, 2009
Discount rate (% p.a)	7.00%
Future salary increase (% p.a)	0% for the first year and 10% thereafter
Mortality	LIC (1994-96)
Attrition (% p.a)	15%

#### 29. Segment reporting

Segment information has been presented in the Consolidated financial statements as permitted by Accounting Standard (AS 17) on Segment Reporting as notified under the Companies (Accounting Standards) Rules, 2006.

#### 30. Related Party Transactions

##### 2008-09

- (i) The list of related parties of the Company is given below:

##### Subsidiaries:

Name of the Subsidiary	Country of incorporation	Extent of holding (%) As at March 31, 2009
Satyam BPO Limited (formerly known as 'Nipuna Services Limited') ('Satyam BPO')	India	100.00
Satyam Computer Services (Shanghai) Company Limited ('Satyam Shanghai')	China	100.00
Satyam Computer Services (Nanjing) Company Limited ('Satyam Nanjing')	China	100.00
Satyam Technologies, Inc. ('STI')	USA	100.00
Knowledge Dynamics Pte.Ltd. ('KDPL Singapore')	Singapore	100.00
Nitor Global Solutions Limited ('Nitor')	UK	100.00
Citisoft Plc. ('Citisoft')	UK	100.00
Satyam Computer Services (Egypt) S.A.E. ('Satyam Egypt')	Egypt	100.00
Satyam Computer Services Belgium, BVBA ('Satyam Belgium')	Belgium	100.00
C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) ('CA Satyam') (Refer Note 13.1 of Schedule 18)	India	100.00
Bridge Strategy Group LLC ('Bridge')	USA	100.00
Satyam (Europe) Limited		Refer Note below
Vision Compass, Inc.		Refer Note below
Satyam IdeaEdge Technologies Private Limited		Refer Note below

**Note :**

These subsidiaries have been liquidated / dissolved as per the laws of the respective countries but for which approval from the Reserve Bank of India for writing off the investments from the books of the Company has not yet been received.

**Subsidiary of Satyam Computer Services Belgium, BVBA**

Name of the Subsidiary	Country of incorporation	Extent of holding (%) As at March 31, 2009
S&V Management Consultants N.V.	Belgium	100.00

**Subsidiaries of Knowledge Dynamics Pte. Ltd.**

Name of the Subsidiary	Country of incorporation	Extent of holding (%) As at March 31, 2009
Knowledge Dynamics Private Limited ('KDPL India')	India	99.99
Knowledge Dynamics USA Inc. ('KD USA') (dissolved w.e.f October 1, 2008)	USA	98.00

**Subsidiary of Citisoft Plc**

Name of the Subsidiary	Country of incorporation	Extent of holding (%) As at March 31, 2009
Citisoft Inc	USA	100.00

**Joint Venture until June 25, 2008/Subsidiary with effect from June 26, 2008 (Refer Note 6.11 of Schedule 18)**

Name	Country of incorporation	Extent of holding (%) As at March 31, 2009
Satyam Venture Engineering Services Private Limited	India	50.00

**Others**

Name of the Entity	Relationship
Satyam Foundation Trust Satyam Associate Trust	Enterprise where the Company is in a position to exercise control
Venture Global Engineering LLC	Joint venture partner (Refer Note 6.11 of Schedule 18)

**Key Management Personnel (Also Refer Note 21 of Schedule 18)**

Name of the Person	Relationship
B.Ramalinga Raju	Chairman (Refer Note 3.7 (i) of Schedule 18)
B.Rama Raju	Managing Director (Refer Note 3.7 (i) of Schedule 18)
Rammohan Rao Mynampati	President and Director (Refer Note 3.7 (i) of Schedule 18)

**Note:**

During the current year, the Company has identified only those persons who, in the opinion of the Management, had the authority and responsibility for planning, directing and controlling the activities of the Company as Key Management Personnel.

As at March 31, 2009, the Central Government had appointed 6 persons as directors of the Company (Refer Note 4 of Schedule 18) who were administering the affairs of the Company until the acquisition by Venturbay (Refer Note 5 of Schedule 18). The names of these directors are given below:

**Name of the Director:**

Mr. Kiran Karnik  
Mr. Deepak S. Parekh  
Mr. Tarun Das  
Mr. S. B. Mainak  
Mr. C. Achuthan  
Mr. T. N. Manoharan





(ii) Summary of the transactions and balances with the above related parties are as follows:

(a) Transactions during the year:

		<i>(Rs. in Million)</i>
<b>Nature of the transactions</b>	<b>Party Name</b>	<b>For the year ended March 31,2009</b>
Revenue	Satyam Computer Services (Egypt) S.A.E.	36
	Citisoft Plc.	30
	Satyam Computer Services (Shanghai) Company Limited	35
	Satyam Technologies, Inc.	23
	Satyam BPO Limited	4
	S&V Management Consultants N.V.	6
	Satyam Computer Services (Nanjing) Company Limited	4
Subcontracting Charges	Bridge Strategy Group LLC	453
	Nitor Global Solutions Limited	145
	Satyam Technologies, Inc.	151
	Satyam BPO Limited	752
	C&S System Technology Private Limited	7
	Satyam Computer Services (Nanjing) Company Limited	14
	Satyam Computer Services (Egypt) S.A.E.	14
	Citisoft	34
	S&V Management Consultants N.V.	14
	Satyam Venture Engineering Services Private Limited	64
	Satyam Computer Services (Shanghai) Company Limited	36
Interest and dividend income	Dividend from Nitor Global Solutions Limited	35
	Interest from Citisoft Plc. (including Rs 1 million recognised as prior period interest)	4
Reimbursements received	Satyam BPO Limited	20
	Satyam Venture Engineering Services Private Limited	217
Investments made during the year	Satyam Computer Services (Shanghai) Company Limited	89
	Satyam Computer Services (Nanjing) Company Limited	98
	Bridge Strategy Group LLC	1,082
	C&S System Technology Private Limited	56
	Nitor Global Solutions Limited	21
	Satyam Computer Services Belgium, BVBA	1
Share application money given	Knowledge Dynamics Pte Ltd	11
	Satyam Computer Services Belgium, BVBA	742
Loans given	Satyam BPO Limited	564
	Satyam BPO Limited	500
Contributions made	Satyam Foundation Trust	29
Rent paid	Paid to Uma Mynampati (Spouse of RamMohan Rao Mynampati) – Rs. 225,720 only	
Remuneration to Key Managerial Personnel (net of recoveries) *	B. Ramalinga Raju	2
	B. Rama Raju	2
	RamMohan Rao Mynampati	3

\*Refer Note 8.1(i) of Schedule 18.

(b) Balances at the year end:

		<i>(Rs. in Million)</i>	
<b>Nature of the balance</b>	<b>Party Name</b>	<b>As at March 31, 2009</b>	
Sundry debtors	Satyam Computer Services (Shanghai) Company Limited	75	
	Satyam BPO Limited	94	
	S&V Management Consultants N.V.	6	
	Satyam Japan KK	96	
	Satyam (Europe) Limited	116	
	Satyam Computer Services (Egypt) S.A.E.	38	
	Citisoft Plc	26	
	Citisoft Inc	15	
	Knowledge Dynamics Private Limited	1	
	Satyam Technologies, Inc.	28	
	Satyam Computer Services (Nanjing) Company Limited	5	
	Satyam Venture Engineering Services Private Limited	118	
	Reimbursements / Other receivables	Satyam BPO Limited	1
		Satyam Venture Engineering Services Private Limited	40
Loans and advances	Satyam BPO Limited	500	
	Satyam Computer Services (Egypt) S.A.E.	34	
	Citisoft Plc.	44	
	Satyam Computer Services Belgium, BVBA	20	
	Satyam Computer Services (Shanghai) Co. Ltd.	1	
	Knowledge Dynamics Private Limited	1	
	Vision Compass, Inc	346	
	Satyam (Europe) Limited	268	
	Satyam Associate Trust	32	
	Sundry creditors	Satyam Computer Services (Egypt) S.A.E.	13
Satyam Technologies, Inc.		120	
Bridge Strategy Group LLC		154	
Satyam BPO Limited		127	
Citisoft Plc.		31	
S&V Management Consultants N.V.		14	
Nitor Global Solutions Limited		4	
Satyam Computer Services (Shanghai) Co. Ltd.		14	
Satyam Computer Services (Nanjing) Company Limited		3	
Satyam Venture Engineering Services Private Limited		45	
Satyam Foundation Trust		4	
Share application money paid		Satyam Computer Services Belgium, BVBA	742
		Satyam Computer Services (Egypt) S.A.E.	8
	Satyam (Europe) Limited	34	
	Satyam BPO Limited	564	
Amount recoverable from Key Managerial Personnel *	B. Ramalinga Raju	3	
	B. Rama Raju	2	
	RamMohan Rao Mynampati	18	

\*Refer Note 8.1(i) of Schedule 18.



**Notes:**

- a) Related party relationships are as identified by the Management and relied upon by the Auditors. Taking into account the forensic investigation and the information available with the Management, the Management has identified the related parties of the Company and the transactions have been appropriately disclosed. However, there may be additional related parties whose relationship would not have been disclosed to the Company and, hence, not known to the Management. Also refer Note 19(iv) of Schedule 18.
- b) Options granted and outstanding to the Key Management Personnel 514,860 (includes 496,110 options granted under ASOP – ADS and 18,750 options granted under ASOP – RSUs (ADS));
- c) Guarantees/Comfort Letters provided by the Company
  - The Company issued a corporate guarantee to a bank on behalf of Satyam BPO for an amount not exceeding Rs. 3,345 Million.
  - The Company has issued a comfort letter to Satyam BPO Limited giving a commitment for all financial support to meet its debts and obligations as they fall due for the foreseeable future and atleast until December 31, 2010.
- d) The Company has given an interest free loan to Satyam Associates Trust amounting to Rs. 50 Million (Balance outstanding as at March 31, 2009 – Rs 32 million). The loan was provided by the Company in the prior years as a funding to the Trust for repayment of loans obtained from the Trust from external parties. As per the terms of understanding with the Trust, the loan is repayable by the Trust to the Company on receipt of the exercise price from the employees who have been allotted options under the ASOP-A scheme.
- e) Also refer Note 19(iii) of Schedule 18 with respect to provision made towards certain balances due from the above subsidiaries.

**2007-08 (“As published”(Refer Note 39 of Schedule 18))**

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), Satyam BPO Limited, Satyam Computer Services (Shanghai) Co.Ltd, (Satyam Shanghai), Satyam Technologies Inc., Satyam Computer Services (Nanjing) Co., Ltd, Satyam Computer Services (Egypt) S.A.E and Nitor Global Solutions Ltd.

®ceased to be fellow subsidiary w.e.f October 01, 2007

**Joint Ventures (JVs):** Satyam Venture Engineering Services Private Limited (SVES) 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.

- i. Summary of the transactions and balances with the above related parties are as follows:
  - a. Transactions during the year:

<b>Nature of the transaction</b>	<b>(Rs. in Million)</b> <b>For the year ended March 31, 2008</b>
Sales :	
Subsidiaries	67
Outsourcing services:	
Subsidiaries	
- Satyam BPO	624
- Satyam Shanghai	134
- Others	80
JVs	
- SVES	360
- Others	7
<b>Total</b>	<b>1,205</b>

Contd.

<b>Nature of the transaction</b>	<b>(Rs. in Million)</b> <b>For the year ended March 31, 2008</b>
Other Services	
Subsidiaries	14
JVs	20
<b>Total</b>	<b>34</b>
Interest Income	
Subsidiaries	3
<b>Total</b>	<b>3</b>
Purchase of fixed assets	
JVs	3
<b>Total</b>	<b>3</b>
Investments in:	
Subsidiaries	746
<b>Total</b>	<b>746</b>
Advances to :	
Subsidiaries	
- Satyam BPO	240
- Others	52
<b>Total</b>	<b>292</b>
Contributions to:	
Others	42

b. Balances as at March 31, 2008

<b>Nature of the balance</b>	<b>(Rs. in Million)</b> <b>As at March 31, 2008</b>
Accounts receivable	
Subsidiaries *	
- Satyam BPO	64
- Satyam Shanghai	28
Others	5
JVs	3
<b>Total</b>	<b>100</b>
Payables:	
Subsidiaries	
- Satyam BPO	170
- Satyam Technologies Inc.	21
JVs	47
Others	28
<b>Total</b>	<b>266</b>
Investments	
Subsidiaries *	
- Satyam BPO	2735
- Citisoft	1146
Others	950
JVs	107
<b>Total</b>	<b>4938</b>

Contd.



(Rs. in Million)

Nature of the balance	As at March 31, 2008
Advances and share application money	
Subsidiaries *	
- Satyam BPO	168
- Satyam Computer Services (Egypt) S.A.E	21
Others	13
<b>Total</b>	<b>202</b>

\* Net of provisions made

c. Transactions with directors and Key Managerial Personnel:

(Rs. in Million)

Nature of the transaction	For the year ended March 31, 2008
Remuneration to whole-time directors	46
Remuneration to Key Managerial Personnel	187
Professional charges to a director	8

d. Balances due to/from directors and Key Managerial Personnel

Nature of the balance	As at March 31, 2008 (Rs. in Million)
Remuneration payable to whole-time directors	2
Remuneration payable to Key Management Personnel	10
Professional charges payable to a director	2

Maximum indebtedness from Key Managerial Personnel during the year was Rs. 1 Million.

Options granted and outstanding to the Key Management Personnel 1,275,742 (includes 51,850 options granted under ASOP- ADS and 96,000 options granted under ASOP – RSUs (ADS)).

Options granted and outstanding to a whole-time director 1,029,720 (includes 992,220 options granted under ASOP – ADS and 37,500 options granted under ASOP – RSUs (ADS)).

Options granted and outstanding to non-executive directors of the Company and its subsidiary 80,000 (includes 35,000 options granted under ASOP – RSUs (ADS))

### 31. Leases

i. Obligation on long term non-cancelable operating leases

The Company has entered into operating lease agreements for its development centers at offshore, onsite and off-sites 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 the respective agreements are as follows:

(Rs. in Million)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008 "As published" (Refer Note 39 of Schedule 18)
Lease rentals (refer Schedule 16)	2,080	1,260

Maximum obligations on long-term non-cancellable operating leases:

(Rs. in Million)

Particulars	As at March 31, 2009	As at March 31, 2008 "As published" (Refer Note 39 of Schedule 18)
Not later than one year	1,068	682
Later than one year and not later than five years	2,426	2,706
Later than five years	418	530
<b>Total</b>	<b>3,912</b>	<b>3,918</b>

ii. Obligations towards finance leases (where the Company is the lessee):

(Rs. in Million)

Particulars	As at March 31, 2009
<b>Minimum lease payments</b>	
- Less than one year	327
- One to five years	1,386
- Later than five years	48
<b>Total</b>	<b>1,761</b>
<b>Present value of minimum lease payments:</b>	
- Less than one year	321
- One to five years	1,035
- Later than five years	26
<b>Total</b>	<b>1,382</b>

**Note:**

The above disclosures in respect of operating leases and finance leases have been made taking into account the position as at March 31, 2009 and the impact on account of subsequent cancellation of leases, if any, has not been considered in the above.

**32. Earnings per share (EPS)**

**Calculation of EPS (Basic and Diluted)**

**2008-2009**

Particulars	For the year ended March 31, 2009
<b>Basic and Diluted EPS</b>	
(Loss) after taxation (Rs. in Million)	(79,352)
Weighted Average Number of Equity Shares	673,014,491
Basic and Diluted EPS of Rs. 2 each (Rs.)	(117.91)

**Note:**

The weighted average number of equity shares used for Basic EPS and Diluted EPS are the same since the outstanding potential equity shares as at March 31, 2009 are anti-dilutive in nature.



**2007-08 ("As published"(Refer Note 39 of Schedule 18))**

Particulars	For the year ended March 31, 2008
<b>Basic</b>	
Opening no. of shares	667,196,009
Total shares outstanding	668,673,978
Profit after taxation (Rs. in Million)	17,157
EPS of Rs. 2 each (Rs.)	25.66
<b>Diluted</b>	
Stock options outstanding	14,464,422
Total shares outstanding (including dilution)	683,138,400
EPS of Rs. 2 each (Rs.)	25.12

**Note:**

Earnings per share has been computed in accordance with Accounting Standard 20 - Earnings per Share

**33. Provision for taxation**

**33.1 Current tax**

No provision has been made in the financial statements towards current tax for the current year towards its domestic operations, since the Company has incurred a tax loss for the year. Further, the Management has assessed the Company's tax position in respect of its overseas operations taking into account the relevant rules and regulations as applicable in the respective countries and, based on professional advice, has determined that the provision amounting to Rs. 317 Million made currently is adequate and no additional provision for current tax for the current year needs to be made in respect of the same. The tax provision for the current year also includes an amount of Rs. 156 Million towards adjustments for unreconciled amounts pertaining to earlier periods.

Part of the Company's operations in India are conducted through Software Technology Parks (STPs). Based on the current statutory provisions Income from STPs is tax exempt for a period of 10 years commencing from the fiscal year in which the unit commences its activities, or upto March 31, 2011, whichever is earlier.

The Company also has operations in Special Economic Zones (SEZs) in India. Income from SEZs are expected to be fully tax exempt for the first five years, 50% exempt for the next five years and 50% exempt for another five years subject to fulfilling certain conditions.

**33.2 Deferred tax**

The break up of deferred tax assets/liabilities and reconciliation of current year deferred tax charge is as follows:

*(Rs. in Million)*

Particulars	As at March 31, 2008 "As published" (Refer Note 39 of Schedule 18)	Charged/ (Credited) to P & L	As at March 31, 2009
<i>Deferred Tax (Liability)</i>			
Depreciation	(57)	(57)	-
<b>Total (A)</b>	<b>(57)</b>	<b>(57)</b>	-
<i>Deferred Tax Asset</i>			
Provision for doubtful debts	133	133	-
Provision for doubtful advances	14	14	-
Employee benefits	786	786	-
<b>Total (B)</b>	<b>933</b>	<b>933</b>	-
<b>Net Deferred Tax Asset</b>	<b>876</b>	<b>876</b>	-

**Note:**

No deferred tax asset has been recognised as at March 31, 2009 on account of accumulated business losses and other items on grounds of prudence.



### 33.3 Transfer pricing

The Company has entered into international transactions with related parties. The Management is of the opinion that all necessary documents as prescribed by the Income Tax Act, 1961 to prove that these transactions are at arms length are maintained by the Company and that the aforesaid legislation will not have any impact on the financial statements, particularly on the tax expense and the provision for taxation.

### 34. Information on joint venture entities

The particulars of the Company's joint venture entities (for part of the current year) are given below:

<i>(Rs. in Million)</i>								
Particulars	As at March 31, 2009					For the year ended March 31, 2009		
	Name of the Joint Venture	% Holding	Assets	Liabilities	Contingent Liabilities	Capital Commitments	Income	Expenses
Satyam Venture Engineering Services Private Limited	50%	-	-	-	-	-	115	96
CA Satyam ASP Private Limited	-	-	-	-	-	-	13	19

#### Notes:

- (i) CA Satyam ceased to be a joint venture from September 26, 2008, consequent to the acquisition of the balance 50% equity held earlier by CA Inc in CA Satyam, subsequent to which it became a wholly owned subsidiary of the Company. Accordingly, the amounts of Income and Expenses mentioned above are for the period up to September 25, 2008 and are based on the unaudited financial information.
- (ii) The above entities are located in India.
- (iii) Also refer Note 6.11 of Schedule 18 with respect to Satyam Venture Engineering Services Private Limited (SVES). As explained in the said Note, SVES is treated as a subsidiary with effect from June 26, 2008 and, accordingly, the amounts of Income and Expenses mentioned above are for the period upto June 25, 2008 and are based on unaudited financial information.
- (iv) Refer Note 39 of Schedule 18 with respect to disclosures relating to the Previous Year.

### 35. Provisions

#### 35.1 Provision for warranties

The Company provides warranty support to some of its customers as per the terms of the contracts (Refer Note 14.6 of Schedule 18). The details of provision for warranties are as follows:

<i>(Rs. in Million)</i>	
Particulars	For the year ended March 31, 2009
Opening balance	-
Provision made during the year	105
Amounts utilised during the year	-
Closing balance	105

#### Note:

Provision for warranties is estimated and made based on technical estimates of the Management and is expected to be settled over the period of next one year.

#### 35.2 Provision for contingencies

The Company carries a general provision for contingencies towards various claims made/anticipated against the Company based on Management's assessment. Also refer Note 6 of Schedule 18. The details of the same are as follows:

<i>(Rs. in Million)</i>	
Particulars	For the year ended March 31, 2009
Opening balance	-
Provision made during the year	4,750
Amounts utilised during the year	-
Closing balance	4,750

#### Note:

Given the nature of the claims referred to above, it is not possible to estimate the timing/uncertainties relating to the utilisation/reversals from the provision for contingencies.



**35.3 Provision for unexplained differences debited to the Profit and Loss account comprises the following:**

*(Rs. in Million)*

Particulars	For the year ended March 31, 2009	Note Ref.
Forensic related - Other Differences (Net) between April 1, 2008 and December 31, 2008	7	Refer Notes 3.3(ii) and 3.4 of Schedule 18
Other Differences (Net)	27	Refer Note 9.3 of Schedule 18
<b>Total</b>	<b>34</b>	

**36. Derivative instruments**

The Company, in accordance with its risk management policies and procedures, enters into foreign currency forward contracts and foreign currency option contracts to manage its exposure in foreign exchange rates.

Pursuant to the announcement of the Institute of Chartered Accountants of India (ICAI) in respect of "Accounting for Derivatives", the Company had opted to follow the recognition and measurement principles relating to derivatives as specified in Accounting Standard 30 - "Financial Instruments, Recognition and Measurement", issued by the ICAI, from the year ended March 31, 2008.

The Company has outstanding foreign exchange forward/option contracts, the fair value of which showed a net loss of Rs. 1,101 Million as at March 31, 2009. Since these contracts have not been designated as cash flow hedges, they have been marked to market as at the Balance Sheet date and provision for losses have been dealt with in the Profit and Loss account.

The net loss on forward exchange and option contracts which has been accounted in the Profit and Loss account aggregated Rs 4,632 Million (net loss).

- (i) The following are the outstanding forward exchange contracts and foreign currency option contracts entered into by the Company as at March 31, 2009:

Foreign exchange forward contracts as at March 31, 2009:

Particulars	Number of contracts	Amount (In Million)
USD (Sell)	26	45
INR equivalent	26	2,294

Foreign currency option contracts as at March 31, 2009:

Particulars	Number of contracts	Amount (In Million)
USD (Sell)	63	119
INR equivalent	63	6,076

- (ii) The foreign currency exposures as at March 31, 2009 that have not been specifically hedged by a derivative instrument or otherwise are given below:

Currency	Advances and deposits	Cash and bank balances	Creditors & payables	Debtors & Unbilled Revenue	Grand total
AED	3	1	(2)	19	21
AUD	3	9	(12)	46	46
BRL	1	1	(1)	2	3
CAD	-	1	(1)	4	4
CHF	1	1	(2)	5	5
CNY	-	-	-	8	8
CZK	-	3	(1)	-	2
DKK	-	5	(2)	6	9
EUR	14	5	(5)	35	49
GBP	2	1	(8)	15	10
GHC	-	-	40	-	40
HKD	-	2	(2)	-	-
HUF	3	85	(34)	-	54

Contd.

(In Million)

Currency	Advances and deposits	Cash and bank balances	Creditors & payables	Debtors & Unbilled Revenue	Grand total
JPY	104	312	(239)	666	843
KES	3	30	(120)	-	(87)
KRW	22	464	(63)	55	478
LKR	-	13	-	-	13
MUR	-	1	-	-	1
MYR	3	-	(1)	-	2
NZD	-	2	-	1	3
PHP	-	-	(1)	-	(1)
QAR	5	-	(1)	-	4
SAR	1	9	(2)	-	8
SEK	-	1	(4)	-	(3)
SGD	2	2	(5)	6	5
THB	9	19	(3)	30	55
TTD	1	-	(1)	-	-
TWD	-	10	(1)	-	9
USD	31	28	(87)	108	80
XAF	-	-	4	-	4
ZAR	6	15	(7)	21	35
<b>INR Equivalent</b>	<b>3,296</b>	<b>2,972</b>	<b>(6,502)</b>	<b>12,097</b>	<b>11,863</b>

### 37. Quantitative information

(i) Information technology and consulting services

The Company is primarily engaged in the development of computer software/ technology and consulting services. 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) Quantitative details of hardware equipment and other items

The Company has not maintained proper records of its inventories during the year though the required adjustments to account for the inventory in the books of account were made based on the available information with the Management as at the year end. Hence, with respect to the purchase and sale of hardware equipments and other items, the Company has not disclosed the quantitative details of purchases/sales as required under Schedule VI of the Act.

### 38. Notification to NYSE to delist

The Company has notified the NYSE of its intention to delist the ADRs from the said exchange. The Company is currently late in filing its annual report on Form 20-F for the year ended March 31, 2009. The Company was notified by the NYSE of its noncompliance. Pursuant to the NYSE's rules, the Company was given time until October 15, 2010, to make this filing, as previously announced, which represents the maximum time period available. The Company does not now anticipate that it will be able to file restated US GAAP financial statements for the period ended March 31, 2009 on or prior to October 15, 2010, the compliance date in accordance with the NYSE's rules.

### 39. Previous period financial statements

As stated in Note 3.7(ii) of Schedule 18, the former statutory auditors of the Company vide their letter dated January 13, 2009 to the Board of Directors have indicated that their audit reports and opinions in relation to the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon. The comparative financial statements for the year ended March 31, 2008 included in the financial statements including the related notes to accounts and other disclosures, to the extent made, are as per the published numbers (duly converting the amounts in "Crores" to amounts in "Million" and making the required rounding off adjustments) as reported upon by the former statutory auditors vide their report dated April 21, 2008 and as adopted by the shareholders.

Further, certain disclosures were not made in the published financial statements for the previous year ended March 31, 2008. The information in respect of such disclosures relating to the previous year in the current year's financial statements have not been made in the absence of complete/necessary information.

In addition, the information pertaining to the previous year has not been reclassified and represented in line with the current year presentation for the reasons stated above.

Information relating to the previous year has been provided only to comply with statutory requirements and the same cannot be used for any comparison purposes or otherwise in view of the reasons mentioned above and in Note 3 of Schedule 18.



#### 40. Exceptional items

The Profit and Loss account includes the following exceptional items (expenditure):

<b>Particulars</b>	<b>(Rs. in Million)</b>
Expenses related to forensic investigation and litigation support	832
Provision for doubtful debts, advances and impairment of assets	3,393
Provision for impairment losses in subsidiaries	7,150
Provision for contingencies	4,750
Prior period adjustments (Refer Note 3.4 of Schedule 18)	62,428
<b>Total</b>	<b>78,553</b>

**For and on behalf of the Board of Directors**

**C. Achuthan**  
*Director*

**Vineet Nayyar**  
*Chairman*

**C.P.Gurnani**  
*Whole-time Director & CEO*

**T.N.Manoharan**  
*Director*

**Ulhas N.Yargop**  
*Director*

**S.Durgashankar**  
*Chief Financial Officer*

**G.Jayaraman**  
*Company Secretary*

Place: Hyderabad  
Date : September 29, 2010

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration details

Registration number	7	5	6	4				
State Code	0	1						
Balance Sheet date	3	1	0	3	2	0	0	9
	Date	Month	Year					

### II. Capital raised during the year (Rs. in Million)

Public Issue				N	I	L	Rights Issue				N	I	L
Bonus Issue				N	I	L	Preferential allotment				N	I	L
Allotments under the Associate Stock Option Plans	0	0	0	0	0	7							

### III. Position of mobilization and deployment of funds (Rs. in Million)

Total Liabilities		3	6	1	2	5	Total Assets		3	6	1	2	5	
<b>Sources of funds</b>							Share application money, pending allotment				N	I	L	
Paid-up capital			1	3	4	8	Secured Loans			6	4	1	0	
Reserves & Surplus		1	6	0	6	3	Amounts Pending Investigation Suspense Account (Net)		1	2	3	0	4	
Unsecured Loans					N	I	L							
<b>Application of funds</b>							Investments				9	3	0	
Net Fixed Assets		1	1	4	0	4	Net Current Assets			1	1	5	7	
Deferred Tax Assets (net)					N	I	L	Accumulated losses		2	2	6	3	4
Miscellaneous expenditure					N	I	L							

### IV. Performance of Company (Rs. in Million)

Turnover		8	4	6	7	9	Total Expenditure		1	0	0	0	7	2
Prior Period Adjustments + (-)		(6	2	4	2	8)	Profit/Loss before Tax + (-)		(7	7	8	2	1)	
Profit/Loss after Tax + (-)		(7	9	3	5	2)	*Dividend Rate %					5	0	
Earnings per share in Rs. (on par value of Rs. 2 per share)		(1	1	7	.	9	1)							

\*Refer Notes 8.1(vi) of Schedule 18 - Notes to Accounts.

### V. Generic names of three principal products /services of Company (as per monetary terms)

Item Code No. (ITC code)	8	5	2	4	9	0	0	9								
Product description	C	O	M	P	U	T	E	R	S	O	F	T	W	A	R	E

For and on behalf of the Board of Directors

**C. Achuthan**  
Director

**Vineet Nayyar**  
Chairman

**C.P.Gurnani**  
Whole-time Director & CEO

**T.N.Manoharan**  
Director

**S.Durgashankar**  
Chief Financial Officer

**G.Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010

**Ulhas N.Yargop**  
Director



## Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to Subsidiary Companies

Name of the subsidiary	Reporting Currency	Exchange Rate	Issued and subscribed share capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit/(loss) before taxation	Taxation	Profit/ (loss) after taxation	Rs. in Million	
												Proposed Dividend	Country
Satyam BPO Limited (formerly known as Nipuna Services Ltd.)	INR	1.00	895	(2,451)	974	2,530	-	1,879	(1,846)	7	(1,853)	-	India
Satyam Technologies Inc.	USD	50.87	51	(4)	282	235	-	444	17	(3)	20	-	US
Satyam Computer Services (Shanghai) Co. Ltd.	CNY	7.44	576	(428)	261	113	-	731	(121)	-	(121)	-	China
Satyam Computer Services (Nanjing) Co. Ltd.	CNY	7.44	170	(142)	70	42	-	15	(132)	-	(132)	-	China
Nitor Global Solutions Limited	GBP	72.74	-	7	17	10	-	121	33	7	26	47	UK
Satyam Computer Services (Egypt) S.A.E.#	EGP	9.32	43	(54)	60	71	-	61	(43)	-	(43)	-	Egypt
Citisoft Plc., UK	GBP	72.74	8	114	226	104	-	370	(32)	(8)	(24)	-	UK
Citisoft Inc, US	USD	50.87	-	46	214	168	-	488	13	5	8	-	US
Knowledge Dynamics Pte Ltd (KDPL), Singapore	SGD	33.45	3	4	13	6	-	-	-	1	(1)	-	Singapore
Knowledge Dynamics Pvt. Ltd., India	INR	1.00	3	(3)	2	2	-	-	-	-	-	-	India
Knowledge Dynamics USA Inc. *	USD	50.87	-	-	-	-	-	-	-	-	-	-	US
Bridge Strategy Group LLC (Bridge Strategy)	USD	50.87	-	116	542	426	-	1,402	102	40	62	-	US
Satyam Computer Services Belgium, BVBA (Satyam Belgium)	EUR	67.46	1	(1)	2	1,531	1,529	-	(1)	-	(1)	-	Belgium
S&V Management Consultants NV (S&V)	EUR	67.46	8	62	264	194	-	643	49	10	39	12	Belgium
Satyam Venture Engineering Services Pvt. Ltd. (SVES)	INR	1.00	71	317	941	553	-	921	78	(3)	81	-	India
C&S System Technologies Pvt. Ltd. (formerly CA Satyam ASP Pvt. Ltd.) (CA Satyam)	INR	1.00	143	(55)	101	13	-	45	(24)	-	(24)	-	India

\* Knowledge Dynamics USA Inc. is dissolved w.e.f from October 1, 2008.

# Audit of accounts as per local legal requirements is under progress. These amounts are as per the accounts audited and certified by a firm of Chartered Accountants in India for group consolidation purposes.

### Note:

The Company has incorporated subsidiaries in Mexico (Satyam Computer Services De Mexico S.DE R.L.DE C.V) and Brazil (Satyam Servicos De Informatica LTDA). However, no investments have been made by the Company in these subsidiaries as at March 31, 2009. Further, there are no operations in these subsidiaries during the current year. Hence, these have not been considered for the purpose of consolidation.

# Auditors' Report

TO THE BOARD OF DIRECTORS OF  
SATYAM COMPUTER SERVICES LIMITED

## Appointment

1. We have been appointed as statutory auditors of **SATYAM COMPUTER SERVICES LIMITED** ("the Company") for the year ended March 31, 2009 by the Board of Directors of the Company (hereinafter referred to as the "Board") subject to the ratification by the shareholders of the Company, pursuant to the order of the Honourable Company Law Board (CLB) dated October 15, 2009. This report is subject to the ratification of our appointment by the shareholders of the Company.

## Report on the Consolidated Financial Statements

2. We have audited the attached Consolidated Balance Sheet of the Company, its subsidiaries and joint ventures (hereinafter collectively referred to as "the Group") as at March 31, 2009, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto.

## Management's Responsibility for the Financial Statements

3. These financial statements are the responsibility of the Group's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

## Auditors' Responsibility

4. **Subject to the matters discussed in this report**, we conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

## Basis for Opinion

5. We did not audit the financial statements of 16 subsidiaries, whose financial statements reflect total assets (net) of Rs. 3,418 Million as at March 31, 2009, total revenue (net) of Rs. 4,063 Million and net cash inflows of Rs. 526 Million for the year then ended, as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included/disclosures made in respect of the aforesaid subsidiaries, is based solely on the reports of the other auditors.
6. As stated in Note 3 of Schedule 19:
  - a. On January 7, 2009, in a communication ('the letter') addressed to the then-existing Board of Directors of the Company and copied to the Stock Exchanges and Chairman of Securities and Exchange Board of India (SEBI), the then Chairman of the Company, Mr. B. Ramalinga Raju ('the erstwhile Chairman') admitted that the Company's Balance Sheet as at September 30, 2008 carried inflated cash and bank balances, non-existent accrued interest, understated liability and overstated debtors position. As per the letter, the gap in the Company's Balance Sheet had arisen purely on account of inflated profits over a period of last several years.  
  
Consequently, various regulators have initiated their investigations and legal proceedings, which are ongoing and are more fully described in the said Note.
  - b. The Government nominated Board of Directors appointed an independent counsel ('Counsel') to conduct an investigation of the financial irregularities that would enable preparation of the financial statements of the Company. The Counsel appointed forensic accountants to assist in the investigation (referred to as 'forensic investigation') and preparation of the financial statements of the Company.  
  
The forensic accountants have expressed certain reservations and limitations in their investigation process which are more fully described in the said Note.
  - c. Pursuant to the investigations conducted by the Central Bureau of Investigation ("the CBI")/other regulatory authorities, most of the relevant documents in the possession of the Company were seized by the CBI/other authorities and partial access was granted to the Company including for taking photo copies of the relevant documents as may be required in the presence of the CBI officials.
  - d. The former statutory auditors of the Company vide their letter dated January 13, 2009 to the Board of Directors have indicated that their reports and opinions in relation to the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon.
  - e. As confirmed by the order of the CLB, and in accordance with Accounting Standard 5 - "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies", adjustments resulting from financial irregularities and errors relating to periods prior to April 1, 2008, to the extent identified, have been accounted for as "Prior Period Adjustments" in these financial statements.





- f. As per the assessment of the Management, based on the forensic investigation carried out through an independent counsel/forensic accountants, and the information available at this stage, all identified/required adjustments/disclosures arising from the financial irregularities, have been made in these financial statements.

The Management is of the view that since matters relating to several of the financial irregularities are *sub judice* and various investigations are ongoing, any further adjustments/disclosures to the financial statements, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

**In view of the above, we are unable to comment on the adjustments/disclosures which may become necessary as a result of further findings of the ongoing investigations and the consequential impact, if any, on these financial statements.**

7. As stated in Note 3.3(ii) of Schedule 19, the Company has, based on the forensic investigation, accounted for the opening balance differences (net debit) of Rs. 11,221 Million as at April 1, 2002, other differences (net debit) of Rs. 166 Million during the period from April 1, 2002 to March 31, 2008 and Rs. 7 Million relating to the period from April 1 to December 31, 2008 aggregating Rs. 11,394 Million under "Unexplained Differences Suspense Account (Net)" under Schedule 12 due to non-availability of complete information. These net debit amounts aggregating Rs. 11,394 Million have been fully provided for on grounds of prudence.

**In the absence of complete / required information, we are unable to comment on the accounting treatment/disclosure for the aforesaid unexplained amounts accounted under "Unexplained Differences Suspense Account (Net)" in these financial statements.**

8. As stated in Note 6.1 of Schedule 19, the alleged advances amounting to Rs. 12,304 Million (net) has been presented separately under 'Amounts Pending Investigation Suspense Account (Net)' in the Balance Sheet. In this regard, there are certain claims by thirty seven companies seeking repayment of the amounts allegedly paid by them to the Company as temporary advances which were earlier not recorded in the books of account of the Company. These companies have also claimed damages/compensation/interest on these amounts. Further, these companies have also filed recovery suits / petitions against the Company. The details of these claims are more fully described in the said Note. The Company has not acknowledged any liability to any of the thirty seven companies and has replied to the legal notices stating that the claims are legally untenable.

The Directorate of Enforcement (ED), Government of India, is conducting an investigation under the Prevention of Money Laundering Act, 2002 on the amounts allegedly advanced by the aforesaid parties and has directed the Company not to return the amounts until further instructions from the ED.

The Management has represented that since the matter is *sub judice* and the investigations by various Government agencies are in progress, the Management, at this point of time is not in a position to predict the ultimate outcome of the legal proceedings initiated by these thirty seven companies.

**In view of the above, we are unable to determine whether any adjustments/disclosures will be required in respect of the aforesaid alleged advances amounting to Rs. 12,304 Million (net) and in respect of the non-accounting of any damages/compensation/interest in these financial statements.**

9. As stated in Note 6.3 of Schedule 19, subsequent to the letter by the erstwhile Chairman of the Company relating to various financial irregularities in the Company's financial statements, a number of persons claiming to have purchased the Company's securities have filed class action lawsuits in various courts in the United States of America. These class action suits are more fully described in the said Note. Based on the legal advice obtained by the Company, the Company is contesting the above lawsuits.

**Since the matter is *sub judice*, the outcome of which is uncertain at this stage, we are unable to comment on the consequential impact, if any, on these financial statements.**

10. As stated in Note 8.1(vi) of Schedule 19, an amount of Rs. 674 Million has been paid as interim dividend by the Company for the year 2008-09. Since there are no profits for the purpose of declaring dividend, there is a non-compliance of Section 205 of the Companies Act, 1956 ("the Act"). Further, as stated in Note 8.1(vii) of Schedule 19, the consequential transfer of the stipulated minimum amounts of profits to General Reserves in accordance with the Companies (Transfer of Profits to Reserves) Rules, 1975, has also not been effected due to inadequate balance in the Profit and Loss Account. The Management is proposing to make an application to the appropriate authority for condoning these non-compliances. Refer to paragraph 18 below also.

**The possible impact of these non-compliances in the event the Company's condonation requests are not granted has not been determined or recognised in these financial statements.**

11. Attention is invited to the following matters:

- a. As stated in Note 9.2 of Schedule 19, in the absence of certain documents/information, adjustments required in respect of the opening balances as at April 1, 2008 (including the adjustments consequent to the assessment of consistent application of accounting policies) have been carried out to the extent feasible by the Management, based on available alternate evidences/information.

**In the absence of the aforesaid documents/information for the periods prior to April 1, 2008, we could not perform some of the required auditing procedures on the opening balances to the extent deemed necessary by us. Furthermore, due to inadequate records, we are unable to fully assess whether the Company's accounting policies have been applied on a basis consistent with that of the preceding period.**

- b. As stated in Note 9.3 of Schedule 19, certain reconciliations between the sub-systems / sub-ledgers and the general ledger could not be performed completely due to non-availability of all the required information. The Company has identified certain amounts aggregating Rs. 27 Million (net debit), comprising of Rs. 494 Million (gross debits) and Rs. 467 Million (gross credits) appearing in the general ledger, for which complete details are not available and, hence, these amounts have been accounted under "Unexplained Differences Suspense Account (Net)" under Schedule 12 and the Management has made provision for the net unexplained debit amount aggregating Rs. 27 Million as at March 31, 2009 on grounds of prudence. Further, there are certain differences in data between inter-connected sub-systems, ultimately interfaced to the general ledger, for which complete details are not available.

**In the absence of the required information, we are unable to determine the additional impact, if any, of such unexplained amounts/differences on these financial statements.**

- c. In respect of the Company, responses were not received in 3,047 number of cases out of our total sample of 3,746 number of requests sent out for confirmations of balances/other details in respect of parties reflected under Sundry Debtors, Loans and Advances, Current Liabilities etc. Further, confirmations could not be sent in 47 number of cases due to the non-availability of complete records/ addresses relating to these parties. Refer Note 9.4 of Schedule 19.

**Had all the confirmations been received and reconciled, there may have been additional adjustments required to these financial statements which are not determinable, at this stage.**

12. Attention is invited to the following matters:

- a. Further to our comments in paragraph 8 above, the amounts received during the year and shown under "Amounts Pending Investigation Suspense Account (Net)" has been presented in the cash flow statement separately since the Management could not identify the nature of the same and, hence, could not categorise the same as operating, investing or financing cash flows.

**This is not in accordance with Accounting Standard (AS) 3 - Cash Flow Statements.**

- b. The disclosures made in Note 26 of Schedule 19, with respect to various geographical segment details are based on the available information with the Management.

**We are unable to comment on the completeness/correctness of the geographical segment details in the absence of all the required information.**

- c. Identification of related parties as required under AS 18 – Related Party Disclosures as stated in Note 27 of Schedule 19 has been done by the Management based on available information.

**We are unable to comment on the completeness/correctness of the above referred details in the absence of all the required information.**

- d. As stated in Note 12.4 of Schedule 19, the Company has given as finance lease, vehicles to the employees under the Associates Car Purchase Scheme, the gross original cost of which aggregates Rs. 654 Million (net book value Rs.382 Million as at March 31, 2009), which have not been accounted for as finance leases in accordance with AS 19 – Leases in the absence of complete/adequate information.

**In the absence of complete/adequate information, we are unable to determine the extent to which fixed assets and depreciation have been overstated and the impact of the non-compliance with AS 19 - Leases on these financial statements.**

- e. As stated in Note 14.5 of Schedule 19, **the Company has not maintained proper records of its inventories during the year though the required adjustments to account for the inventory in the books of account were made based on the available information with the Management as at the year end.**

13. The Management has evaluated and accounted for certain transactions/made the relevant disclosures based on and to the extent of the information available with the Company in respect of the following Notes of Schedule 19:

- a. Adjustment of unapplied receipts against Sundry Debtors, classification of Sundry Debtors and provisioning for doubtful debts as stated in Note 14.1.
- b. Accounting for contracts under percentage of completion method and unbilled revenue as stated in Notes 14.2 and 14.3.
- c. Accounting for multiple deliverable elements, hardware equipment and other items etc, as stated in Notes 14.4 and 14.5.
- d. Accounting for unearned revenue as stated in Note 14.7.
- e. Accounting for reimbursements / recoveries from customers as stated in Note 14.9.

**In the absence of the required information, we are unable to determine the additional impact, if any, of the above matters on these financial statements.**

14. As stated in Note 6.6(vi) of Schedule 19, the Company is carrying a total amount of Rs.4,371 Million (net of payments) as at March 31, 2009 towards provision for taxation which was made primarily on the basis of the past financial statements. Considering the effects of financial irregularities, status of disputed tax demands, appeals / claims pending before the various authorities, the consequent uncertainties regarding the outcome of these matters and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the outstanding balance of tax provision as at March 31, 2009.

**In view of the above, we are unable to comment on the adequacy or otherwise of the provision for taxation carried in these financial statements.**



15. In view of the matters described in paragraph 6 above and as stated in Note 34 of Schedule 19, **information relating to the previous year has been provided only for the purpose of statutory requirements and the same cannot be used for any comparison purposes or otherwise.**
16. As stated in Note 18 of Schedule 19, **the Company's consolidated financial statements as at March 31, 2008 contained amounts for which complete details were not available. In the absence of full details relating to the same, consolidation was carried out based on the audited financial statements of the Company, its subsidiaries and joint ventures for the year ended March 31, 2009 and the Company has recorded the necessary adjustment entries as mentioned in the said Note.**
17. Without qualifying our opinion, we invite attention to the following Notes of Schedule 19 relating to various claims and contingencies:
  - a. Note 6.2 regarding the settlement amount of Rs. 3,274 Million (equivalent to USD 70 Million) deposited into the escrow account payable to Upaid Systems Limited.
  - b. Note 6.4 regarding the Division of Enforcement of the United States Securities and Exchange Commission conducting a formal investigation into misstatements in the financial statements of the Company for the prior years pursuant to the letter of the erstwhile Chairman and recommending enforcement action against the Company.
  - c. Notes 6.6 to 6.8 regarding the various demands/disputes raised by the direct and indirect tax authorities both in India as well as overseas jurisdictions.

As stated in Note 6.13 of Schedule 19, the Company has made appropriate provision for contingencies as at March 31, 2009 which, in the opinion of the Management, is adequate to cover any probable losses in respect of the above litigations and claims.

18. Without qualifying our opinion, we invite attention to the following Notes of Schedule 19 relating to certain regulatory non-compliances/breaches:
  - a. Note 8.1 regarding various non-compliances with the provisions of the Act.
  - b. Note 8.2 regarding certain non-compliances of the guidelines issued by the SEBI with respect to allotment of stock options to the employees of the Company.
  - c. Note 8.3 regarding certain non-compliances of the provisions of the Foreign Exchange Management Act, 1999.
  - d. Note 8.5 regarding certain non-compliances of the provisions of the Income Tax Act, 1961.
  - e. Note 8.6 regarding delay in filing of tax returns in overseas jurisdictions.

The Management has represented that:

- (i) the various non-compliances and breaches by the Company of the statutory requirements which have been noticed/observed, duly considering the findings of the forensic investigation/other ongoing regulatory investigations have been summarised in the aforesaid Notes.
  - (ii) the Company is proposing to make an application to the appropriate authorities, where applicable, for condoning these non-compliances and breaches relating to the Company.
  - (iii) the possible impact of these non-compliances and breaches in the event the Company's condonation requests, where applicable, are not granted has not been determined or recognised in these financial statements.
19. Without qualifying our opinion, we invite attention to the following Notes of Schedule 19 relating to certain accounting and other matters:
    - a. Note 9.1 regarding the Management's identification of several deficiencies in the Company's internal control over financial reporting as at March 31, 2009 along with certain remediation action taken subsequently.
    - b. Note 9.5 regarding various risks and uncertainties relevant to the Company's financial condition as identified by the Management.
    - c. Note 12.8 regarding adjustments that may be required on account of the physical verification of the fixed assets of the Company conducted subsequent to the year end.
  20. Without qualifying our opinion, we invite attention to Note 23 of Schedule 19 regarding provision for statutory audit fees of Rs. 57 Million (including for the audit of prior period items) for the Company debited to the profit and loss account which is subject to the approval of the shareholders.
  21. Without qualifying our opinion, we invite attention to Notes 1.3(v) and (vi) of Schedule 19 regarding certain entities/subsidiaries not considered for the purpose of consolidation for the reasons stated in the said Notes.
  22. In the case of one of the subsidiaries of the Company, the other auditors have drawn attention to accrual of liability towards sales commission pending final outcome of ongoing dispute between the promoters of the subsidiary. Refer Note 20(i) of Schedule 19.

23. In the case of another subsidiary of the Company, the other auditors have drawn attention to the following matters in their report without qualifying their opinion on the financial statements of the subsidiary:
- (a) Note 19.1 of Schedule 19, regarding inspection by regulatory authorities and their inability to express an opinion on the adjustments, if any, required in the financial statements.
  - (b) Note 19.2 of Schedule 19, regarding the provision made for doubtful debts, advances and deposits.
  - (c) Note 19.3 of Schedule 19, regarding the payment of incentives to the former Chief Executive Officer and Chief Financial Officer of the subsidiary.
24. We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures and on the basis of the separate audited financial statements of the Company, its subsidiaries and joint ventures included in the Consolidated Financial Statements.

#### **Opinion**

25. Further to our comments in paragraphs 17 to 23 above and **subject to our comments in paragraphs 6 to 16 above and the consequential effects thereof which are not quantifiable**, based on our audit and on consideration of the reports of the other auditors on the financial statements and other financial information of the entities referred to in paragraph 5 above, and to the best of our information and according to the explanations given to us, we are of the opinion that the aforesaid Consolidated Financial Statements, read together with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2009;
  - (ii) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 008072S)

**P.R.Ramesh**  
*Partner*  
(Membership No.70928)

HYDERABAD, September 29, 2010



## Consolidated Balance Sheet as at March 31, 2009

	<i>Schedule</i>	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>(Rs. in Million)</b>			
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	1,348	1,341
Share Application Money Pending Allotment (Refer Note 11 of Schedule 19)		-	18
Reserves and Surplus	2	16,097	71,033
		<u>17,445</u>	<u>72,392</u>
		195	
<b>Minority Interest</b>			
<b>Loan Funds</b>			
Secured Loans	3	8,142	2,167
<b>Deferred Tax Liability (Net)</b> (Refer Note 30.2 of Schedule 19)		48	
<b>SUB TOTAL</b>		<u>25,830</u>	<u>74,559</u>
<b>Amounts Pending Investigation Suspense Account (Net)</b> (Refer Note 6.1 of Schedule 19)		12,304	
<b>TOTAL</b>		<u><u>38,134</u></u>	<u><u>74,559</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	28,897	19,602
Accumulated Depreciation / Amortisation		20,401	11,417
Net Block		8,496	8,185
Capital Work-in-Progress (Including Capital Advances)		3,892	4,609
		<u>12,388</u>	<u>12,794</u>
<b>Investments</b>			
<b>Deferred Tax Asset (Net)</b> (Refer Note 30.2 of Schedule 19)	5	-	-
		65	872
<b>Current Assets, Loans and Advances</b>			
Inventories (Refer Notes 14.5 and 14.10 of Schedule 19)		10	1
Sundry Debtors	6	15,516	23,703
Cash and Bank Balances	7	5,009	45,024
Other Current Assets	8	2,913	2,725
Loans and Advances	9	4,663	3,919
		<u>28,111</u>	<u>75,372</u>
<b>Current Liabilities and Provisions</b>			
Current Liabilities	10	13,892	8,977
Provisions	11	14,783	5,502
		<u>28,675</u>	<u>14,479</u>
<b>Net Current Assets</b>		<u>(564)</u>	<u>60,893</u>
<b>Debit Balance in Profit and Loss Account</b>		26,245	
<b>SUB TOTAL - (NET)</b>		<u>38,134</u>	<u>74,559</u>
<b>Unexplained Differences Suspense Account (Net)</b>	12	-	-
<b>TOTAL (NET)</b>		<u><u>38,134</u></u>	<u><u>74,559</u></u>
<b>Notes to Accounts</b>	19		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
Partner

Place: Hyderabad  
Date : September 29, 2010

For and on behalf of the Board of Directors

**C. Achuthan**  
Director

**T.N.Manoharan**  
Director

**Ulhas N.Yargop**  
Director

**Vineet Nayyar**  
Chairman

**S.Durgashankar**  
Chief Financial Officer

**C.P.Gurnani**  
Whole-time Director & CEO

**G.Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010

**Consolidated Profit and Loss Account for the Year Ended March 31, 2009**

	<i>Schedule</i>	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>(Rs. in Million)</b>			
<b>Income</b>			
Income from Operations	13	<b>88,126</b>	84,735
Other Income	14	<b>631</b>	2,672
		<b>88,757</b>	87,407
<b>Expenditure</b>			
Personnel Expenses	15	<b>60,737</b>	52,595
Cost of Software & Hardware Sold	16		23
Operating and Administration Expenses	17	<b>29,395</b>	13,768
Provision for Contingencies (Refer Note 31.2 of Schedule 19)		<b>4,750</b>	
Others (Refer Note 22 of Schedule 19)		<b>2,588</b>	
		<b>97,470</b>	66,386
<b>(Loss) / Profit before Interest, Depreciation, Prior Period Adjustments, Tax and Minority Interest</b>		<b>(8,713)</b>	21,021
Interest and Financing Charges	18	<b>621</b>	202
Depreciation / Amortisation	4	<b>8,394</b>	1,636
		<b>9,015</b>	1,838
<b>(Loss) / Profit before Prior Period Adjustments, Tax and Minority Interest</b>		<b>(17,728)</b>	19,183
Prior Period Adjustments (Refer Note 3.4 of Schedule 19)		<b>62,428</b>	-
<b>(Loss) / Profit before Tax and Minority Interest</b>		<b>(80,156)</b>	19,183
Provision for Tax			
Income Tax - Current (Refer Note 30.1 of Schedule 19)		<b>542</b>	2,574
- Deferred (Refer Note 30.2 of Schedule 19)		<b>855</b>	(435)
Fringe Benefit Tax (Net) - For the Year		<b>169</b>	165
- For Prior Years (Refer Note 8.1 (viii) of Schedule 19)		<b>24</b>	
<b>Net (Loss) / Profit for the Year before Minority Interest</b>		<b>(81,746)</b>	16,879
Share of Minority Interest		<b>22</b>	
<b>Net (Loss) / Profit for the Year</b>		<b>(81,768)</b>	16,879
<b>Balance in Profit and Loss Account Brought Forward</b>		<b>42,430</b>	30,015
- ("As Published" - Refer Note 34 of Schedule 19)			
Add: Amount Transferred from Consolidation Adjustment Account (Refer Note 18 of Schedule 19)		<b>7,552</b>	
Residual Dividend and Additional Dividend Tax (Refer Note 17 of Schedule 19)		<b>8</b>	3
<b>Amount Available for Appropriation</b>		<b>(31,794)</b>	46,891
Dividend (Refer Notes 8.1 (vi) & 8.1 (vii) of Schedule 19)			
Interim		<b>674</b>	669
Final		<b>-</b>	1,677
Total Dividend		<b>674</b>	2,346
Dividend Tax		<b>114</b>	399
Amount Transferred to General Reserve (Refer Note 8.1 (vii) of Schedule 19)		<b>-</b>	1,716
<b>(Debit) / Credit Balance in Profit and Loss Account</b>		<b>(32,582)</b>	42,430
Adjusted against the Balance in General Reserve, to the extent available		<b>6,337</b>	
<b>(Debit) / Credit Balance in Profit and Loss Account Carried to Balance Sheet</b>		<b>(26,245)</b>	42,430

Contd.



## Consolidated Profit and Loss Account for the Year Ended March 31, 2009

	<i>Schedule</i>	<b>For the Year Ended March 31, 2009</b>	<b>For the Year Ended March 31, 2008</b> "As Published" (Refer Note 34 of Schedule 19)
Earnings per Share (Refer Note 29 of Schedule 19) - in Rs. (Equity Shares, Par Value Rs. 2 each)			
Basic		<b>(121.49)</b>	25.24
Diluted		<b>(121.49)</b>	24.71
Weighted Average Number of Shares			
Basic		<b>673,014,491</b>	668,673,978
Diluted		<b>673,014,491</b>	683,138,400
<b>Notes to Accounts</b>	<i>19</i>		

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
*Partner*

Place: Hyderabad  
Date : September 29, 2010

**C. Achuthan**  
*Director*

**T.N.Manoharan**  
*Director*

**Ulhas N.Yargop**  
*Director*

**Vineet Nayyar**  
*Chairman*

**S.Durgashankar**  
*Chief Financial Officer*

**For and on behalf of the Board of Directors**

**C.P.Gurnani**  
*Whole-time Director & CEO*

**G.Jayaraman**  
*Company Secretary*

Place: Hyderabad  
Date : September 29, 2010



**Consolidated Cash Flow Statement (CFS) for the Year Ended March 31, 2009**

	(Rs. in Million)	
	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>(Loss) / Profit before Tax</b>	<b>(80,156)</b>	19,183
Prior Period Adjustments (Financial Irregularities) (Refer Note 3.4 of Schedule 19 and Note (iii) below)	<b>63,224</b>	
Adjustments for :		
Depreciation / Amortisation (including Adjustments for Prior Years)	<b>9,072</b>	1,636
Employee Stock Compensation Expense	<b>628</b>	853
Currency Translation Reserve	<b>-</b>	3
Interest and Financing Charges	<b>621</b>	202
Interest / Dividend Income	<b>(23)</b>	(2,707)
Liabilities / Provisions No Longer Required Written Back	<b>(248)</b>	
Tax Deducted at Source Written Off	<b>37</b>	
Loss on Sale of Fixed Assets (Net)	<b>324</b>	18
Provision for Capital Work in Progress	<b>587</b>	
Provision for Doubtful Debts	<b>3,424</b>	
Provision for Impairment of Assets	<b>3</b>	
Provision for Doubtful Advances	<b>400</b>	
Provision for Unexplained Differences	<b>34</b>	
Provision for Warranty	<b>105</b>	
Provision for Contingencies	<b>4,750</b>	
Provision for Losses in Subsidiaries	<b>2,588</b>	
Effect of Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	<b>50</b>	421
<b>Operating Profit before Working Capital Changes</b>	<b>5,420</b>	19,609
<i>Changes in Working Capital</i>		
Inventories	<b>(9)</b>	(1)
Sundry Debtors	<b>(408)</b>	(6,271)
Other Current Assets	<b>(2,896)</b>	
Loans and Advances	<b>(1,063)</b>	(1,623)
Margin Money Deposits	<b>(285)</b>	
Current Liabilities and Provisions (Refer Note (ii) below)	<b>3,318</b>	3,736
<b>Cash Generated from Operations</b>	<b>4,077</b>	15,450
Taxes Paid (Net)	<b>(1,057)</b>	(2,164)
<b>Net Cash From Operating Activities</b>	<b>3,020</b>	13,286
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Refer Note (ii) below)	<b>(8,035)</b>	(3,586)
Acquisition of Minority Interest in Satyam BPO	<b>-</b>	(1,988)
Acquisition of Nitor Global	<b>-</b>	(90)
Acquisition of Citisoft Plc	<b>-</b>	(338)
Acquisition of Knowledge Dynamics Pte Ltd	<b>-</b>	(30)
Proceeds from Sale of Fixed Assets	<b>2,133</b>	14
Purchase of Interests in Subsidiaries	<b>(1,659)</b>	
Interest / Dividend Received	<b>24</b>	631
<b>Net Cash (Used in) Investing Activities</b>	<b>(7,537)</b>	(5,387)
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital (Including Securities Premium)	<b>531</b>	449
Repayment of Preference Share Capital	<b>-</b>	(564)
Decrease in Share Application Money Pending Allotment	<b>(18)</b>	
Proceeds from Secured Loans taken	<b>9,776</b>	1,753
Repayment of Secured Loans	<b>(3,896)</b>	(1,072)
Interest Paid on Loans	<b>(578)</b>	(196)
Dividends Paid (Including Distribution Tax)	<b>(2,757)</b>	(2,738)
<b>Net Cash From / (Used In) Financing Activities</b>	<b>3,058</b>	(2,368)

Contd.



## Consolidated Cash Flow Statement (CFS) for the Year Ended March 31, 2009

	(Rs. in Million)	
	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>IV. AMOUNTS PENDING INVESTIGATION SUSPENSE ACCOUNT (NET)</b>	<b>2,104</b>	
<b>Net Increase in Cash and Cash Equivalents (I + II + III + IV)</b>	<b>645</b>	5,531
<b>Cash and Cash Equivalents at the Beginning of the Year</b> (“As Published” (Refer Note 34 of Schedule 19))	<b>11,940</b>	6,830
Opening Balance Adjustments (Refer Note (iii) below)	<b>(8,097)</b>	
Cash and Cash Equivalents on Account of New Subsidiaries	<b>206</b>	
Effect of Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	<b>(50)</b>	(421)
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>4,644</b>	11,940
<b>Notes:</b>		
(i) Reconciliation of Cash and Cash Equivalents at the End of the Year with Schedule 7		
Cash and Bank Balance as per Schedule 7	<b>5,009</b>	45,024
Less: Margin Money Deposits	<b>(285)</b>	
Less: Investments in Long Term Deposits with Scheduled Banks		(33,084)
Less: Dividend Bank Accounts	<b>(80)</b>	-
Cash and Cash Equivalents at the End of the Year	<b>4,644</b>	11,940

- (ii) Purchase of Fixed Assets for the year ended March 31, 2009 includes payments for items in capital work in progress and capital advances for purchase of fixed assets. Adjustments for increase / decrease in current liabilities relating to the acquisition of fixed assets has been made to the extent identified.
- (iii) For the purpose of determining the movement in cash and cash equivalents during the year as per the Indirect Method, the balances as at March 31, 2008 (“As Published” (Refer Note 34 of Schedule 19)), have been adjusted for the effects of the prior period adjustments on the opening balances as follows:

	(Rs. in Million)		
	As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)	Opening Balance Adjustments	Adjusted Opening Balance as at April 1, 2008 considered for the CFS
Cash and Cash Equivalents	11,940	8,097	3,843
Margin Money Deposits	33,084	33,084	-
Sundry Debtors (Gross)	24,945	5,719	19,226
Interest Accrued on Bank Deposits	2,725	2,721	4
Taxes	(1,196)	3,901	(5,097)
Unrecorded Tax Payments	-	(498)	498
Amounts Pending Investigation Suspense Account (Net)	-	10,200	(10,200)
<b>Total</b>	<b>71,498</b>	<b>63,224</b>	<b>8,274</b>

Schedules 1 to 19 attached form an integral part of the Accounts.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R. Ramesh**  
Partner

Place: Hyderabad  
Date : September 29, 2010

For and on behalf of the Board of Directors

**C. Achuthan**  
Director

**Vineet Nayyar**  
Chairman

**C.P.Gurnani**  
Whole-time Director & CEO

**T.N. Manoharan**  
Director

**S. Durgashankar**  
Chief Financial Officer

**G. Jayaraman**  
Company Secretary

**Ulhas N. Yargop**  
Director

Place: Hyderabad  
Date : September 29, 2010

**Schedules forming part of the Consolidated Balance Sheet as at March 31, 2009**

	<b>As at March 31, 2009</b>	<b>As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)</b>
<b>(Rs. in Million)</b>		
<b>1. Share Capital</b>		
Authorised Capital (Refer Note (i) below)		
1,400,000 (As at March 31, 2008 - 800,000,000 "As Published" (Refer Note 34 of Schedule 19)) Equity Shares of Rs 2 each	<b>2,800</b>	1,600
Issued, Subscribed and Paid-up Capital (Refer Notes (ii) to (iv) below)		
673,894,792 (As at March 31, 2008 - 670,479,293 "As Published" (Refer Note 34 of Schedule 19)) Equity Shares of Rs. 2 each fully paid	<b>1,348</b>	1,341
	<b>1,348</b>	1,341
<b>Notes:</b>		
(i) Pursuant to the Company Law Board order dated February 19, 2009, the authorised share capital of the Company was increased from Rs. 1,600 Million to Rs. 2,800 Million at the Board of Directors' meeting held on February 21, 2009. Refer Note 4 of Schedule 19.		
(ii) Out of the above:		
(a) 4,000,000 Equity Shares of Rs. 2 each (after sub-division of Equity Shares) were allotted as fully paid-up for consideration other than cash pursuant to the scheme of amalgamation with Satyam Enterprise Solutions Limited.		
(b) 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.		
(c) 33,350,000 Equity Shares of Rs. 2 each fully paid-up representing 16,675,000 American Depository Shares allotted.		
(d) 6,500,000 Equity Shares of Rs. 2 each fully paid-up was allotted to the Satyam Associates Trust in connection with the Associate Stock Option Plan - A (ASOP-A).		
(e) 31,229,043 Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company pursuant to the Associate Stock Option Plan - B (ASOP-B) and Associate Stock Option Plan (ADS) (ASOP-ADS).		
(f) 37,374 Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company representing 18,687 Restricted Stock Units (ADS).		
(g) 393,637 Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company pursuant to the Restricted Stock Units (ASOP).		
(iii) For other details of Associate Stock Options, in respect of the above Equity Shares, Refer Note 10 of Schedule 19		
(iv) Also refer Note 5 of Schedule 19 with respect to allotment of Equity Shares to Venturbay Consultants Private Limited subsequent to the year end.		
<b>2. Reserves and Surplus</b>		
Securities Premium Account		
At the Commencement of the Year ("As Published" - Refer Note 34 of Schedule 19)	<b>13,577</b>	13,212
Add: Amounts Received on exercise of Employee Stock Options (ASOP-B and ASOP-ADS)	<b>524</b>	666
Add: Amounts transferred from Stock Option Outstanding Account (including relating to Prior Years)	<b>427</b>	
Add: Adjustment on account of Fringe Benefit Tax on ASOP (Refer Note 8.1 (viii) of Schedule 19)	<b>24</b>	
Add: Amount Transferred from Consolidation Adjustment Account (Refer Note 18 of Schedule 19)	<b>109</b>	
	<b>14,661</b>	13,878
Less: Utilised during the Year	<b>-</b>	301
	<b>14,661</b>	13,577

Contd.



## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2009

	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>(Rs. in Million)</b>		
General Reserve		
At the Commencement of the Year ("As Published" - Refer Note 34 of Schedule 19)	<b>6,379</b>	4,665
Less: Amount transferred to Consolidation Adjustment Account (Refer Note 18 of Schedule 19)	<b>42</b>	
Add: Transfer from Profit and Loss Account	-	1,716
Less: Provision for Leave encashment		<u>2</u>
	<b>6,337</b>	6,379
Less: Debit Balance in Profit and Loss Account, adjusted to the extent of available General Reserve	<b>6,337</b>	
	-	<u>6,379</u>
Capital Reserves		
At the Commencement of the Year ("As Published" - Refer Note 34 of Schedule 19)	<b>7,685</b>	7,656
Add: Gain on dilution on Conversion of ESOP/Preference Shares to equity shares of Subsidiary	-	29
Less: Amount transferred to Consolidation Adjustment Account (Refer Note 18 of Schedule 19)	<b>7,685</b>	
	-	<u>7,685</u>
Associate Stock Options (Refer Note 10 of Schedule 19) Stock Option Outstanding Account	<b>1,897</b>	1,817
Less: Deferred Employee Compensation Expense	<b>495</b>	800
	<b>1,402</b>	<u>1,017</u>
Balance in Profit and Loss Account	-	42,430
Foreign Currency Translation Reserves	<b>34</b>	(55)
Consolidation Adjustment Account (Net) (Refer Note 18 of Schedule 19)	-	
	<b>16,097</b>	<u>71,033</u>
<b>3. Secured Loans</b>		
Bank Overdraft	-	898
Working Capital Loans	<b>898</b>	430
Rupee Term Loans from Banks	<b>4,521</b>	
Vehicle Loans		
- from Banks	<b>139</b>	
- from Others	<b>130</b>	
	<b>269</b>	<u>242</u>
External Commercial Borrowing	-	418
Foreign Currency Packing Credit Loan from Bank	<b>1,019</b>	172
Lease Obligation to Others in relation to Fixed Assets under Finance Lease (Refer Note 28 of Schedule 19)	<b>1,382</b>	
Interest and Other Dues Accrued and Due on Above Loans	<b>53</b>	7
	<b>8,142</b>	<u>2,167</u>

### Schedules forming part of the Consolidated Balance Sheet as at March 31, 2009

#### 4. Fixed Assets

##### a) Fixed Assets

Assets	(Rs. in Million)							Net Block			
	As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)	Acquisition of Subsidiaries (Note (vi) below)	Gross Block Adjustments during the Year	Additions during the Year	Deletions during the Year	As at March 31, 2009	Adjustments during the Year (Notes (i) and (vii) below)	For the Year (Refer Note (iii) below)	Deductions during the Year	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>Tangible Assets</b>											
Land and Land Development	382	-	-	-	50	332	-	-	-	332	382
- Freehold (Refer Note 12.3 of Schedule 19)											
- Leasehold (Note (iv) below)	89	(1)	273	-	-	361	3	3	4	357	88
Buildings (Note (v) below)	1,172	1,516	5	1	1	2,708	153	89	468	2,240	962
Plant and Machinery (Including Computers)	11,087	59	72	1,194	12	12,400	(661)	1,476	11	9,804	2,137
Furniture, Fixtures and Interiors	2,465	31	565	263	50	3,274	143	463	35	2,358	697
Office Equipments	460	23	7	121	2	609	10	90	2	374	186
Vehicles (Refer Note 12.4 of Schedule 19)	551	3	15	186	90	665	214	113	56	276	337
Assets taken on Finance Lease											
Plant and Machinery			73	94	-	167	40	107	-	147	20
Furniture, Fixtures and Interiors				951		951		125		125	826
<b>Intangible Assets</b>											
Software (Note (ii) below)	3,396	104	1,359	433	-	1,896	52	633	-	1,714	182
Goodwill on Consolidation (Refer Note 13.7 of Schedule 19)			9	2,129		5,534		5,131		5,131	403
Intellectual Property Rights (Refer Note 12.5 of Schedule 19)				2,520	2,520	-		164	164	-	-
<b>Total</b>	<b>19,602</b>	<b>236</b>	<b>3,615</b>	<b>8,169</b>	<b>2,725</b>	<b>28,897</b>	<b>150</b>	<b>708</b>	<b>268</b>	<b>20,401</b>	<b>8,185</b>
<b>Previous Year "As Published"</b> (Refer Note 34 of Schedule 19)	15,054	2		4,648	102	19,602	1	1,639	71	11,417	8,185

#### Notes:

- Refer Notes 3.3(iii) and 12.1 of Schedule 19 with respect to capitalisation of fixed assets and related depreciation/amortisation pertaining to prior periods charged during the current year.
- Software grouped under plant and machinery till March 31, 2008 has been disclosed separately under intangible assets during the current year. Consequently, gross block of software amounting to Rs. 1,359 Million and accumulated depreciation/amortisation amounting to Rs. 1,029 Million as at March 31, 2008 have been transferred from plant and machinery to software through the adjustments columns.
- Refer Note 12.2 of Schedule 19 with respect to accelerated depreciation for certain assets.
- Gross block of Land includes Rs. 79 Million (Previous Year - Rs. 122 Million ("As Published" - Refer Note 34 of Schedule 19)) in respect of which the deed of conveyance was pending as at 31 March 2009.
- Gross block of Buildings include Rs. 740 Million (Previous Year - Rs. 389 Million ("As Published" - Refer Note 34 of Schedule 19)) being the cost of building constructed on land taken on lease by the Company.
- Represents assets of C&S Satyam Private Limited and Satyam Ventures Engineering Services Private Limited, which became subsidiaries of the Company during the current year. Refer Notes 1.3(i) and 1.3(ii) of Schedule 19.
- Includes Rs. 30 Million considered in foreign currency translation reserves due to translation of non-integral foreign subsidiaries.

#### b) Capital Work in Progress (Including Capital Advances)

Particulars	(Rs. in Million)	
	As at March 31, 2009	As at March 31, 2008
Construction Related Contracts (Refer Note 12.6 of Schedule 19)	2,214	1,600
Other Fixed Assets	665	665
Capital Advances (Refer Notes 12.6 of Schedule 19)	4,479	(587)
Sub Total	7,358	3,143
Less: Provision for Capital Work in Progress (Refer Note 12.7 of Schedule 19)	(3,470)	(3,470)
<b>Total</b>	<b>3,888</b>	<b>(327)</b>



## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2009

		(Rs. in Million)	
		As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>5. Investments</b>			
<b>a) Long Term Investments - Non-Trade - Unquoted</b>			
Upaid Systems Limited (As at March 31, 2008 - Intouch Technologies Limited) "As Published" (Refer Note 34 of Schedule 19)	109		109
833,333 Shares of USD 0.20 each, fully paid-up			
Less: Provision for Diminution in Value of Investment	109	-	109
National Savings Certificates, VIII Series (Rs. 6,000 (As at March 31, 2008 - Rs. 6,000) Only "As Published" (Refer Note 34 of Schedule 19)) (Lodged as Security with Government Authorities)		-	-
<b>Sub-total (a)</b>		-	-
<b>b) Investments in Entities which are Liquidated / Dissolved</b>			
<i>Investments in Other Long Term Investments - Trade - Unquoted</i>			
Medbiquitous Services Inc., (Refer Note (iii) below)			
334,000 Shares of 'A' series preferred stock of US Dollars 0.001 each, fully paid-up	16		16
Less: Provision for Diminution in Value of Investment	16	-	16
Avante Global LLC., (Refer Note (iii) below)			
577,917 Class 'A' Units representing a total value of USD 540,750	25		25
Less: Provision for Diminution in Value of Investment	25	-	25
Jasdric Park Company (Refer Note (ii) below)			
480 Shares of J Yen 50,000 each, fully paid-up	-		8
Less: Received on Liquidation	-		3
Less: Provision for Diminution in Value of Investment	-	-	5
<b>Sub-total (b)</b>		-	-
<b>Total (a) + (b)</b>		-	-
<b>Notes:</b>			
(i) Cost of Unquoted Investments			
- Gross of Provision for Diminution in the Value of Investments		150	
- Net of Provision for Diminution in the Value of Investments			
(ii) The Company had received the approval from the Reserve Bank of India for writing off the investments in these entities in prior years, on account of the dissolution of these companies as per the laws of the respective countries. However the Company has written off the net cost of investments amounting to Rs. 5 Million only during the year ended March 31, 2009.			
(iii) These companies have been liquidated / dissolved as per the laws of the respective countries. However, the Company is awaiting approval from the Reserve Bank of India for writing off the investments from the books of the Company. The outstanding amount of investments in these companies have been fully provided for.			

**Schedules forming part of the Consolidated Balance Sheet as at March 31, 2009**

	As at March 31, 2009	(Rs. in Million) As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>6. Sundry Debtors</b> (Refer Note 14.1 of Schedule 19)		
(Unsecured)		
Debits Outstanding for a Period Exceeding Six Months		
- Considered Good	1,190	968
- Considered Doubtful	3,762	
Other Debts		
- Considered Good	14,326	22,735
- Considered Doubtful	904	
Considered Doubtful		1,242
Less: Provision for Doubtful Debts	4,666	1,242
	<u>15,516</u>	<u>23,703</u>
Note:		
Debtors as at March 31, 2008 include Unbilled Revenues Rs. 3,214 Million "As Published" (Refer Note 34 of Schedule 19)		
<b>7. Cash and Bank Balances</b>		
Cash on Hand	2	1
Remittances in Transit	-	13
Balances with Scheduled Banks		
- On Deposit Accounts (Refer Note below)	348	33,252
- On Current Accounts	1,914	9,657
- Unclaimed Dividend Accounts	80	70
Balances with Non-Scheduled Banks		
- On Deposit Accounts (Refer Note below)	23	19
- On Current Accounts	2,642	2,012
	<u>5,009</u>	<u>45,024</u>
Note:		
Balances in Deposit Accounts with Banks includes Margin Money Deposits towards obtaining Bank Guarantees.	285	
<b>8. Other Current Assets</b>		
Unbilled Revenue (Refer Notes 14.2 and 14.3 of Schedule 19)	2,910	-
Interest Accrued on Bank Deposits	3	2,725
	<u>2,913</u>	<u>2,725</u>





## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2009

	As at March 31, 2009	(Rs. in Million) As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>9. Loans and Advances</b>		
<u>Considered Good</u>		
Secured		
Loans (Rs. Nil (As at March 31, 2008 - Rs. 0.2 Million) (As "Published" - Refer Note 34 of Schedule 19))	-	
Unsecured		
Advances Recoverable in Cash or in Kind or for Value to be Received (Refer Notes (i) & (ii) below)	1,847	2,427
Deposits	2,419	1,492
Advance taxes paid	133	
Balances with Government Authorities	264	
	4,663	3,919
<u>Considered Doubtful</u>		
Unsecured		
Advances Recoverable in Cash or in Kind or for Value to be Received	565	279
Deposits	83	
Others	31	
	679	279
Less: Provision for Doubtful Loans/Advances	679	279
	-	-
	4,663	3,919
<b>Notes:</b>		
(i) Dues from Satyam Associate Trust (Refer Note 27 of Schedule 19)	32	
(ii) Dues from Directors of the Company (Refer Note 27 of Schedule 19)		
<b>10. Current Liabilities</b>		
Sundry Creditors		
- Dues to Micro Enterprises and Small Enterprises	18	-
- Dues to Other Than Micro Enterprises and Small Enterprises	9,915	6,376
Advances from Customers	592	185
Unearned Revenue (Refer Note 14.7 of Schedule 19)	772	1,332
Other Liabilities (Refer Note (i) below)	2,515	1,011
Interest Accrued but Not Due on Loans	-	3
Investor Education and Protection Fund shall be credited by the following amounts - Unclaimed Dividends	80	70
	13,892	8,977
<b>Note:</b>		
(i) Includes Mark-to-market losses on forward exchange contracts and other derivative contracts (Refer Note 32 of Schedule 19)	1,101	

**Schedules forming part of the Consolidated Balance Sheet as at March 31, 2009**

	<b>As at March 31, 2009</b>	<b>As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)</b>
<b>(Rs. in Million)</b>		
<b>11. Provisions</b>		
Provision for Employee Benefits (Refer Note 25 of Schedule 19)	<b>2,918</b>	2,346
Provision for Warranties (Refer Note 31.1 of Schedule 19)	<b>105</b>	
Provision for Contingencies (Refer Note 31.2 of Schedule 19)	<b>4,750</b>	
Provision for Impairment Losses in Subsidiaries	<b>2,588</b>	
Provision for Taxation (Less Payments)	<b>4,422</b>	1,195
Proposed Dividend (including tax thereon)	<b>-</b>	1,961
	<b>14,783</b>	5,502
<b>12. Unexplained Differences Suspense Account (Net)</b>		
<i>Forensic Related Amounts</i>		
Opening Balance Differences (Net) as at April 1, 2002 (Refer Note 3.3 (ii) of Schedule 19)	<b>11,221</b>	
Other Differences (Net) between April 1, 2002 and March 31, 2008 (Refer Note 3.3 (ii) of Schedule 19)	<b>166</b>	
Sub-total	<b>11,387</b>	
Less: Provision Charged as Prior Period Adjustments (Refer Notes 3.3(ii) and 3.4 of Schedule 19)	<b>11,387</b>	-
Other Differences (Net) between April 1, 2008 and December 31, 2008 (Refer Notes 3.3(ii) and 3.4 of Schedule 19)	<b>7</b>	
Less: Provision Charged as Current Year Expenditure (Refer Note 31.3 of Schedule 19)	<b>7</b>	-
<i>Other Amounts</i>		
Other Differences (Net) (Refer Note 9.3 of Schedule 19)	<b>27</b>	
Less: Provision Charged as Current Year Expenditure (Refer Note 31.3 of Schedule 19)	<b>27</b>	-
<b>Total</b>	<b>-</b>	-



## Schedules forming part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2009

	(Rs. in Million)	
	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>13. Income from Operations</b> (Refer Note 14 of Schedule 19)		
Information Technology and Consulting Services		
- Overseas/Exports	82,490	82,208
- Domestic	3,285	2,527
Business Process Outsourcing	1,127	
Sale of Hardware Equipments and Other Items (Refer Note 14.5 of Schedule 19)		
- Overseas/Exports	1,079	
- Domestic	145	
	<b>88,126</b>	<b>84,735</b>
<b>14. Other Income</b>		
Interest on Bank Deposits and Advances	23	2,707
Liabilities / Provisions No Longer Required Written Back (Refer Note 15 of Schedule 19)	248	2
Revenue Grants from Government Authorities (Refer Note 24 of Schedule 19)	263	
Gain / (Loss) on Exchange Fluctuations (Net)	-	(135)
Miscellaneous Income	97	98
	<b>631</b>	<b>2,672</b>
<b>15. Personnel Expenses</b>		
Salaries and Bonus	54,646	47,908
Contribution to Provident and Other Funds	4,024	3,570
Gratuity (Refer Note 25.1 of Schedule 19)	355	
Staff Welfare Expenses	1,359	265
Employee Stock Compensation Expense (Refer Note 10 of Schedule 19)	628	852
	<b>61,012</b>	<b>52,595</b>
Less: Reimbursements/Recovery of Expenses from Customers (Refer Note 14.9 of Schedule 19)	275	
	<b>60,737</b>	<b>52,595</b>
<b>16. Cost of Software and Hardware Sold</b>		
Opening Inventory		-
Add: Purchases (net of returns)		24
Less: Closing Inventory		1
		<b>23</b>

**Schedules forming part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2009**

	(Rs. in Million)	
	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>17. Operating and Administration Expenses</b>		
Cost of Hardware Equipment and other items Sold (Refer Note (i) below)	1,559	
Rent	2,315	1,432
Rates and Taxes	190	312
Power and Fuel	661	508
Insurance	160	168
Travelling and Conveyance	4,788	4,904
Communication	1,289	947
Printing and Stationery	56	103
Advertisement	59	75
Marketing Expenses (Refer Note 16 of Schedule 19)	1,272	860
Sub contracting Costs (Net)	3,010	
Repairs and Maintenance		
(i) Buildings	65	37
(ii) Machinery	565	253
(iii) Others	618	321
Software Charges	551	196
Security Services	123	79
Donations and Contributions	38	67
Subscriptions	84	51
Training and Development	271	410
Research and Development	10	15
Visa Charges	550	425
Legal and Professional Charges	2,652	1,944
Directors' Sitting Fees	1	1
Auditors' Remuneration (Refer Note 23 of Schedule 19)	82	43
Managerial Remuneration:		
(i) Salaries	6	40
(ii) Commission	-	3
(iii) Contribution to Provident and Other Funds	1	-
(iv) Others	-	3
Tax Deducted at Source Written Off	37	
Investments Written Off	5	
Less: Provision Released	5	
	-	

Contd.



## Schedules forming part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2009

	(Rs. in Million)	
	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
Loss on Sale of Fixed Assets (Net)	324	18
Provision for Capital Work in Progress (Refer Note 12.7 of Schedule 19)	587	
Provision for Doubtful Debts (Refer Note 14.1 of Schedule 19)	3,424	320
Provision for Impairment of Assets	3	
Provision for Doubtful Advances	400	
Provision for Unexplained Differences (Refer Note 31.3 of Schedule 19)	34	
Provision for Warranty (Refer 31.1 of Schedule 19)	105	
Loss on Exchange Fluctuations (Net)		
- On Forward Contracts and other Derivative Contracts (Refer Note 32 of Schedule 19)	4,632	
- On others	308	
Miscellaneous Expenses	219	233
Sub-Total	31,049	13,768
Less: Reimbursements/Recovery of Expenses from Customers (Refer Note 14.9 of Schedule 19)	1,654	
	29,395	13,768
<b>Notes:</b>		
(i) Cost of Hardware Equipment and Other Items Sold:		
Opening Stock	1	-
Add: Purchases	1,568	24
Less: Closing Stock	10	1
(Refer Notes 14.5 and 14.10 of Schedule 19)	1,559	23
<b>18. Interest and Financing Charges</b>		
Interest on Fixed Term Loans	39	
Interest on Packing Credit Loans	40	
Interest on Export Packing Credit		12
Interest on Overdraft		57
Interest on Other Loans	158	
Bank Charges	119	
Interest on Working Capital Loan	89	68
Other Financing Charges	176	65
	621	202

## Schedules forming part of Consolidated Accounts for the Year Ended March 31, 2009

### Schedule 19 - Notes to Accounts

#### 1. Background/details of consolidation

##### 1.1 Background

Satyam Computer Services Limited (hereinafter referred to as 'SCSL' or 'the Company') and its consolidated subsidiaries/joint ventures (together referred to as 'the Group') are engaged in providing information technology services, developing software products, business process outsourcing and consulting services.

SCSL 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 offers a comprehensive range of IT services, including IT enabled services, application development and maintenance, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. SCSL 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.

Satyam BPO Limited (Satyam BPO), a wholly owned subsidiary of the Company is engaged in providing business process outsourcing services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat) and Transaction Processing (industry specific offerings) services through its Indian operations and through branches in United States of America and Belgium.

##### 1.2 Principles of consolidation

The consolidated financial statements (hereinafter referred to as the financial statements) relate to the Group.

- (i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating material intra-group balances and intra-group transactions resulting in unrealised profits or losses, as per Accounting Standard 21 – Consolidated Financial Statements.
- (ii) Interests in joint ventures have been accounted by using the proportionate consolidation method as per Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures.
- (iii) The financial statements/reporting packages of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the Company i.e. March 31. Refer Note 1.3 below.
- (iv) The excess of Cost to the Company of its Investment in the subsidiaries/joint ventures over the Company's portion of the Equity on the acquisition date is recognised in the financial statements as Goodwill and included as part of the fixed assets schedule. The carrying value of Goodwill is tested for impairment as at the end of each reporting period.
- (v) The excess of the Company's portion of Equity of the subsidiaries/joint ventures on the acquisition date over its cost of investment is treated as Capital Reserve.
- (vi) Minority Interest in the Net Assets of the consolidated subsidiaries consists of:
  - a) The amount of equity attributable to the minorities at the date on which the investment in the subsidiaries is made; and
  - b) The minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.
- (vii) Minority Interest's share in the Net Profit/(Loss) for the year of the consolidated subsidiaries is identified and adjusted against the Profit/(Loss) after Tax of the Group.

##### 1.3 Particulars of consolidation

The list of subsidiaries/joint ventures and the Company's holding therein are as under:

Company	Relationship	Period of Financial Statements/ Reporting package	Country of Incorporation	Proportion of Ownership as at March 31, 2009
Satyam BPO Limited (formerly known as Nipuna Services Ltd)	Subsidiary	March 31	India	100%
Satyam Technologies Inc.	Subsidiary	March 31	United States of America	100%
Satyam Computer Services (Shanghai) Co. Limited	Subsidiary	March 31	China	100%
Satyam Computer Services (Nanjing) Co. Limited	Subsidiary	March 31	China	100%
Nitor Global Solutions Limited	Subsidiary	March 31	United Kingdom	100%
Satyam Computer Services (Egypt) S.A.E	Subsidiary	March 31	Egypt	100%
Citisoft Plc	Subsidiary	March 31	United Kingdom	100%

Contd.



Company	Relationship	Period of Financial Statements/ Reporting package	Country of Incorporation	Proportion of Ownership as at March 31, 2009
Citisoft Inc	Subsidiary of Citisoft Plc	March 31	United States of America	100%
Knowledge Dynamics Pte Ltd (KDPL)	Subsidiary	March 31	Singapore	100%
Knowledge Dynamics Pvt Ltd	Subsidiary of KDPL	March 31	India	99.99%
Knowledge Dynamics USA Inc. (dissolved w.e.f October 1,2008)	Subsidiary of KDPL	March 31	United States of America	98%
Bridge Strategy Group LLC (Bridge Strategy)	Subsidiary	March 31	United States of America	100%
Satyam Computer Services Belgium, BVBA (Satyam Belgium)	Subsidiary	March 31	Belgium	100%
S&V Management Consultants NV (S&V)	Subsidiary of Satyam Belgium	March 31	Belgium	100%
Satyam Venture Engineering Services Private Limited (SVES)	Subsidiary/Joint Venture (Refer Note (i) below)	March 31	India	50%
C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) (CA Satyam)	Subsidiary/Joint Venture (Refer Note (ii) below)	March 31	India	100%

**Notes:**

- (i) As stated in Note 6.11 of Schedule 19, the Company has, based on legal advice, treated its investment in SVES as investments in subsidiary only with effect from June 26, 2008, being the date of appointment of nominee directors of the Company in the Board of SVES. Accordingly, the figures used for consolidation for the respective periods as joint venture and subsidiary have been pro-rated based on the audited financial statements of SVES for the year.
- (ii) CA Satyam ceased to be a joint venture from September 26, 2008, consequent to the acquisition of the balance 50% equity held earlier by CA Inc in CA Satyam, subsequent to which it became a wholly owned subsidiary of the Company. Accordingly, the figures used for consolidation for the respective periods as joint venture and subsidiary have been pro-rated based on the audited financial statements of CA Satyam for the year.
- (iii) The contribution of the subsidiaries (including indirect subsidiaries) formed or acquired during the year is as under:

Name of the Subsidiary	<i>(Rs. in Million)</i>		
	Revenue (post acquisition)	Net profit/loss (post acquisition)	Net Assets as at March 31, 2009
Bridge Strategy Group LLC	1,151	55	116
Satyam Computer Services Belgium, BVBA	-	14	758
S&V Management Consultants NV (S&V)	364	70	134

- (iv) The Company has incorporated subsidiaries in Mexico (Satyam Computer Services De Mexico S.DE R.L.DE C.V) and Brazil (Satyam Servicios De Informatica LTDA). However, no investments have been made by the Company in these subsidiaries as at March 31, 2009. Further, there are no operations in these subsidiaries during the current year. Hence, these have not been considered for the purpose of consolidation.
- (v) Satyam Foundation Trust and Satyam Associate Trust, though controlled by the Company, are not considered for the purpose of consolidation since, in the opinion of the Management, the objective of control over such entities is not to obtain economic benefits from their activities.
- (vi) The below mentioned subsidiaries are liquidated/dissolved as per the laws of the respective countries. The Company is awaiting approval from the Reserve Bank of India for writing off the investments from the Company's books of account. These subsidiaries have not been considered for the purpose of consolidation since the entities do not exist/there are no operations during the year.

**Name of the Subsidiary**

Satyam (Europe) Limited  
Vision Compass Inc.  
Satyam IdeaEdge Technologies Private Limited



- (vii) During the previous year ended March 31, 2008:
- Nitor Global Solutions Limited was consolidated with effective date of January 4, 2008, the date of acquisition.
  - Satyam Computer Services (Egypt) S.A.E has been consolidated with effect from January 1, 2008.

## **2. Significant accounting policies**

### **2.1 Basis of preparation of financial statements**

The financial statements are prepared in accordance with the generally accepted accounting principles in India (GAAP) under the historical cost convention. GAAP includes mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended) / issued by the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of the Companies Act, 1956 ('the Act').

Accounting policies have been consistently applied except in cases where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use. Where a change in accounting policy is necessitated due to changed circumstances, detailed disclosures to that effect alongwith the impact of such change is duly disclosed in the financial statements.

Certain accounting policies have been elaborated to reflect the actual practice followed by the Company for a better understanding of the same.

### **2.2 Use of estimates**

The preparation of the financial statements in conformity with GAAP requires the Management to make 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 income and expenses during the reporting period like useful lives of fixed assets, provision for doubtful debts/advances, provision for diminution in value of investments, provision for employee benefits, future contracts costs expected to be incurred to complete the projects, provision for anticipated losses on contracts, provision for warranties/discounts, allowances for certain uncertainties, provision for taxation, provision for contingencies, provision for impairment losses in subsidiaries, etc. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the financial statements.

### **2.3 Inventories**

Inventories comprising of traded hardware equipments and other items are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis. Cost includes material cost, freight and other incidental expenses incurred in bringing the inventory to the present location/condition.

In one of the subsidiaries, inventory of consumables is valued at lower of cost and net realisable value. The cost is determined on first in first out method.

### **2.4 Cash and cash equivalents**

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with banks with an original maturity of three months or less.

### **2.5 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit/(loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

### **2.6 Revenue recognition**

#### *Income from operations*

Revenue from services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognised as and when the services are rendered and related costs are incurred and when there is no uncertainty in realising the same.

Revenue from fixed price, fixed time frame contracts are recognised using the percentage of completion method of accounting. The percentage of completion is determined by relating the actual project cost of work performed to date to the estimated total project cost for each contract. Total contract cost is determined based on technical and other assessment of cost to be incurred. 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 contracts are made during the period in which a loss becomes probable and can be reasonably estimated.

Liquidated damages and penalties are accounted as per the contract terms wherever there is a delayed delivery attributable to the Company and when there is a reasonable certainty with which the same can be estimated.

Revenues from the sale of hardware equipments and other items are recognised upon delivery/deemed delivery, which is when title passes to the customer.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.



Revenue is net of volume discounts/price incentives which are estimated and accounted for based on the terms of the contracts, and also net of applicable indirect taxes.

Amounts received or billed in advance of services performed are recorded as advances from customers/ unearned revenue.

Unbilled revenue represents amounts recognised based on services performed in advance of billing in accordance with contract terms and is net of estimated allowance for uncertainties and provisions for estimated losses.

Revenue recognition is based on the terms and conditions as per the contracts entered into with the customers. In respect of expired contracts under renewal or where there are no contracts available, revenue is recognised based on the erstwhile contract/provisionally agreed terms and/or understanding with the customers.

In Satyam BPO, revenue from engagement services are recognised based on the number of engagements performed. Revenues from time period services are recognised 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.

#### *Interest income*

Interest income is recognised using the time proportion method, based on the transactional interest rates.

#### *Dividend income*

Dividend income is recognised when the right to receive dividend is established.

### **2.7 Post-sales client support and warranties**

Post-sales client support and warranty costs are estimated by the Management on the basis of technical evaluation and past experience of costs. Provision is made for the estimated liability in respect of warranty costs in the year of recognition of revenue and is included in the Profit and Loss account. The estimates used for accounting for warranty costs are reviewed periodically and revisions are made as and when required.

### **2.8 Fixed assets**

Fixed assets are stated at actual cost less accumulated depreciation and net of impairment. The actual cost capitalised includes material cost, freight, installation cost, duties and taxes, eligible borrowing costs 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 Act. Depreciation is charged on a pro-rata basis from the date of capitalisation. Individual assets costing Rs.5,000 or less are fully depreciated in the year of acquisition.

The estimated useful lives are as follows

Leasehold Land	Over the lease period of 30 to 99 years
Buildings	28 years
Plant and Machinery	
- Computers	2 to 5 years
- Taken on Finance Lease	Lower of 5 years and lease period
- Others	5 years
Furniture, Fixtures and Interiors	
- Taken on Finance Lease	Lower of 5 years and lease period
- Improvements to Leasehold Premises	Over the primary lease period
- Own Premises	3 to 20 years
Office Equipments	3 to 20 years
Vehicles	3 to 5 Years

Depreciation is accelerated on fixed assets, based on their condition, usability etc, as per the technical estimates of the Management, where necessary.

The cost 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.

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.

#### *Intangible assets*

Intangible assets, including computer software, are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Intangible assets are amortised over their respective individual estimated useful lives (generally one to three years) on a straight line basis or over the license period (where applicable), whichever is lower.

In one of the subsidiaries, cost of application software for internal use, the estimated useful life of which is relatively short and unusually less than one year are generally charged to revenue as and when incurred.

## **2.9 Foreign currency transactions/translations**

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the Balance Sheet date and the resultant gain or loss is recognised in the Profit and Loss account. Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

Gains or losses realized upon settlement of foreign currency transactions are recognised in the Profit and Loss account.

The operations of foreign branches of the Company are integral in nature and the financial statements of these branches are translated using the same principles and procedures as those of the head office.

For the purpose of consolidation of subsidiaries situated in foreign countries, other than those whose operations are integral in nature (which are translated using the same principles as those of the Company), income and expenses are translated at average exchange rates and the assets and liabilities are stated at closing exchange rates. The net impact of such change is accumulated under foreign currency translation reserve under Reserves and surplus. On the disposal of a non-integral subsidiary, the cumulative amount of the exchange differences which have been deferred and which relate to that subsidiary are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised. When there is a change in the classification of a subsidiary, the translation procedures applicable to the revised classification are applied from the date of change in the classification.

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract (other than for a firm commitment or a highly probable forecast) or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Profit and Loss account in the year in which the exchange rates change. Any profit or loss arising on cancellation of such a contract is recognised as income or expense for the year.

The Company uses forward/option contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of forward contracts is governed by the Company's policies on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Forward contracts in the nature of derivatives are marked to market, wherever required, as at the Balance Sheet date and provision for losses, if any, is dealt with in the Profit and Loss account. Unrealised gains, if any, on such derivatives are not recognised in the Profit and Loss account.

## **2.10 Government grants**

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of the assets. The grant is recognised as income over the life of the depreciable asset by way of reduced depreciation charge. Grants in the nature of capital subsidy are treated as capital reserve based on receipt/eligibility.

Grants related to revenue are accounted for as other income in the period in which the related costs which they intend to compensate are accounted for to the extent there is no uncertainty in receiving the same. Incentives which are in the nature of subsidies given by the Government which are based on the performance of the Company are recognised in the year of performance/eligibility in accordance with the related scheme.

Government grants in the form of non-monetary assets, given at a concessional rate are accounted for at their acquisition costs.

## **2.11 Investments**

Investments are classified into current investments and long-term investments based on their nature/holding period/Management's intent etc at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost less provision made to recognise any decline, other than temporary, in the value of such investments. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the Profit and Loss account.

## **2.12 Employee benefits**

### *Defined contribution plans*

In the case of the Company and subsidiaries situated in India, contributions payable to the recognised provident fund and pension fund maintained with the Central Government and superannuation fund, which are defined contribution schemes, are charged to the Profit and Loss account on accrual basis. The Company/subsidiaries has no further obligations for future provident fund and superannuation fund benefits other than its annual contributions.

### *Defined benefit plans*

The Company and the subsidiaries situated in India accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year using the Projected Unit Credit method. Actuarial gains and losses are charged to the



Profit and Loss account in the period in which they arise. Obligation under the defined benefit plan is measured at the present value of the estimated future cash flow using a discount rate that is determined by reference to the prevailing market yields at the Balance Sheet date on Indian Government Bonds where the currency and terms of the Indian Government Bonds are consistent with the currency and estimated term of the defined benefit obligation.

#### *Compensated absences*

The Company and the subsidiaries situated in India accounts for liability towards compensated absences based on actuarial valuation done as at the Balance Sheet date by an independent actuary using the Projected Unit Credit Method. The liability includes the long term component accounted on a discounted basis and the short term component which is accounted for on an undiscounted basis.

#### *Other short term employee benefits*

Other short-term employee benefits, including overseas social security contributions and performance incentives expected to be paid in exchange for the services rendered by employees, are recognised during the period when the employee renders the service.

In respect of the two Chinese subsidiaries, the full-time employees of the Company are entitled to staff welfare benefits under existing PRC legislation, including pension benefits, medical care, unemployment insurance, housing fund and other benefits.

According to the relevant regulations, premium and welfare benefit contributions are remitted to the social welfare authorities and are accrued based on certain percentages of the total salary of employees subject to a certain ceilings, and are paid to the human resource and social security bodies. The contributions are expensed as incurred.

### **2.13 Associates stock options scheme**

Stock options granted to the associates (employees) are accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 ('ESOP Guidelines') issued by Securities and Exchange Board of India ('SEBI') and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Group measures compensation cost relating to employee stock options using the intrinsic value method. The compensation cost, if any, is amortised over the vesting period of the options.

### **2.14 Borrowing costs**

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised. Other borrowing costs are recognised as expense in the Profit and Loss account.

### **2.15 Leases**

Assets taken on lease by the Group in the capacity of a lessee, where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss account on a straight line basis.

### **2.16 Earnings per share**

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extra ordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of any extra ordinary items, if any) by the weighted average number of equity shares considered for deriving basic earnings per share 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, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### **2.17 Taxes on income**

The current income tax charge is determined in accordance with the relevant tax regulations applicable to the Group. Tax expense relating to overseas subsidiaries is determined in accordance with tax laws applicable in countries where such operations are domiciled. Deferred tax charge or credits are recognised for the future tax consequences attributable to timing differences that result between the profit/(loss) offered for income taxes and the profit/(loss) as per the financial statements.

Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognised in the year in which the timing differences originate. For this purpose the timing differences which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, when there is a brought forward loss or unabsorbed depreciation under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such

assets. Deferred tax assets are reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realised.

The Company offsets, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and intends to settle such assets and liabilities on a net basis.

The Company offsets deferred tax assets and deferred tax liabilities if it has a legally enforceable right and these relate to taxes on income levied by the same governing tax laws.

#### *MAT credit*

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset, in accordance with the provisions contained in the Guidance Note on Accounting for Credit Available under Minimum Alternative Tax, issued by the ICAI, the said asset is created by way of a credit to the Profit and Loss account and shown as "MAT Credit Entitlement". The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

#### *Fringe benefit tax*

In accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI, the Company has made provision for FBT under income taxes.

The Finance Act, 2007 introduced FBT on employee stock options. The Company recovers such FBT from the employees, upon the exercise of the stock options. The estimated FBT liability and related recovery is recorded at the time of exercise of options in the Profit and Loss account.

Also refer Note 8.1(viii) of Schedule 19 with respect to change in accounting for FBT on employee stock options.

### **2.18 Research and development**

Research costs are expensed as incurred. Development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use the asset and the costs can be measured reliably.

### **2.19 Impairment**

The Group assesses at each Balance Sheet date whether there is any indication that an asset (including goodwill) may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined if no impairment loss had been recognised.

### **2.20 Provisions and contingent liabilities**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

### **2.21 Insurance claims**

Insurance claims are accounted for on the basis of claims admitted/expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

### **2.22 Service tax input credit**

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing/utilising the credits.

## **3. Financial irregularities**

### **3.1 Overview**

On January 7, 2009, in a communication ('the letter') addressed to the then existing Board of Directors of the Company and copied to the stock exchanges and the Chairman of SEBI, the then Chairman of the Company, Mr. B. Ramalinga Raju ('the erstwhile Chairman') admitted that the Company's Balance Sheet as at September 30, 2008 carried an inflated cash and bank balances, non-existent accrued interest, an understated liability and an overstated debtors position. As per the letter, the gap in the Company's Balance Sheet had arisen purely on account of inflated profits over a period of last several years (limited only to Satyam standalone).



In the events following the letter of the erstwhile Chairman, the Honourable Company Law Board ('Honourable CLB') passed orders to suspend the then existing Board of Directors of the Company with immediate effect and authorised the Central Government to nominate directors on the Company's Board. Pursuant to the above orders, the Ministry of Corporate Affairs ('MCA') - Government of India ('GOI'), nominated 6 directors on the Board of the Company.

Vide a letter dated January 13, 2009, the erstwhile auditors of the Company, M/s Price Waterhouse, Chartered Accountants, communicated to the Board of Directors of the Company, that their audit reports issued on the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon.

The Government nominated Board of Directors appointed an independent counsel ('Counsel') to conduct an investigation of the financial irregularities that would enable preparation of the financial statements of the Company. The Counsel appointed forensic accountants to assist in the investigation (referred to as 'forensic investigation') and preparation of the financial statements of the Company.

The sub-paragraphs below detail the findings, effects and other matters relating to the financial irregularities of the earlier management headed by the erstwhile Chairman ('erstwhile management').

### 3.2 Limitations

The scope of the forensic investigation required investigating the accounting records of the Company to identify the extent of financial irregularities. There could be other instances of possible diversion that remain undetected. The following were the significant limitations in the forensic investigation, as stated in the report of the forensic accountants who carried out the forensic investigation, which would impact identifying the full extent of the financial irregularities:

- (i) Certain documents and information were either unavailable or could not be located. There was evidence suggesting that information might have been deleted or destroyed during the period leading to the date of the letter. Further, several documents are in the possession of Government agencies and were not freely accessible for the purpose of the forensic investigation. Limited and controlled access was granted only at a developed stage of the forensic investigation.
- (ii) Lack of access to key former employees and the previous auditors of the Company including those arrested by the law enforcement agencies or the information stored on their computer hard drives/other records found to be in their possession. The computer records of the erstwhile Chairman, the Managing Director and the Chief Financial Officer of the Company were also unavailable.
- (iii) As both the erstwhile Chairman and Managing Director were authorised to open bank accounts and had sole signatory powers on most bank accounts of the Company, it is possible that there are undisclosed bank accounts in which funds could have been diverted. The forensic investigation identified five bank accounts whose existence could not be confirmed by the Management.
- (iv) Company employees could have been deployed on projects that were billed outside the accounting system of the Company. Collections could have been diverted from customers on these projects to bank accounts outside the knowledge of the Company.
- (v) Discharged cheques were not available in all instances and, hence, the forensic investigation was not able to verify that beneficiary information in the Company's records accorded with that on the cheque instruments.

### 3.3 Nature of financial irregularities

The forensic investigation conducted by forensic accountants focused on the period from April 1, 2002 to September 30, 2008, being the last date upto which the Company published its financial results. In certain instances, the forensic accountants conducted investigation procedures outside this period. The forensic investigation revealed that the Company had a complex accounting and financial reporting framework, which coupled with multiple non-integrated financial systems enabled perpetration of financial irregularities. The irregularities were substantial in amount, perpetrated across multiple accounting periods and affecting many areas including *inter alia* revenue, foreign exchange gains, interest, and other expenses with respect to the Profit and Loss account. It also affected debtors, cash and bank, other current assets and reserves and surplus with respect to the Balance Sheet.

- (i) Specific financial irregularities as identified

The nature of specific financial irregularities can be classified into two categories:

- *Fictitious entries entered in the accounting records of the Company:* These primarily involved recognition of fictitious revenue and interest income, which ultimately resulted in creation of fictitious cash and bank balances and receivables.
- *Unrecorded transactions:* A number of real transactions (movements into and out of the bank accounts) were omitted from the accounting records of the Company.

The overall impact of fictitious entries and unrecorded transactions arising out of the forensic investigation, to the extent determined, is set out as under:

		<i>(Rs. in Million)</i>
	Reference	Amount
<b>Transactions impacting the Profit and Loss account during the period from April 1, 2002 to September 30, 2008*</b>		
<i>Fictitious entries entered in the accounting records of the Company affecting</i>		
Revenue	a	53,528
Interest income	b	8,998
Exchange gain (net)	c	2,061
Salary costs	d	(2,071)
Others	e	(179)
<i>Unrecorded transactions affecting</i>		
Interest on bank borrowings	f	175
Salary costs	d	5,004
Others	e	115
<b>Total</b>		<b>67,631</b>
<b>Transactions impacting the Balance Sheet only**</b>		
<i>Fictitious entries entered in the accounting records of the Company affecting</i>		
Advance tax payments	g	3,061
<i>Unrecorded transactions affecting</i>		
Advance tax payments(net)	g	(498)
Bank borrowings	f	1,392
		<b>3,955</b>
<b>Overall impact on the Balance Sheet as at September 30, 2008 on account of the above items</b>		
Cash and bank	a to g	52,947
Debtors	a, c	5,010
Accrued interest	b	3,757
Withholding taxes	b	1,970
Advance tax payments	g, c	2,557
Bank borrowings	f	1,392
Other liabilities	a	(2)
<b>Total</b>		<b>67,631</b>

\*Positive amount reflects fictitious income / unrecorded payments while negative amount reflects fictitious outflow / unrecorded receipts.

\*\* Positive amount reflects overstatement of assets/understatement of liability and vice versa on account of fictitious and unrecorded transactions.

- a) **Revenue:** The fictitious revenue was recorded by creation of false invoices by circumventing the normal revenue recognition cycle. The transactions were recorded using the financial systems in a manner that allowed camouflaging the irregularity. After creating the fictitious revenue, fictitious cash collections were shown as collections from customers. In order to substantiate these fictitious collections, forged bank statements and fixed deposit receipts were also prepared. Fictitious revenue aggregating Rs. 53,528 Million was recorded over the period from April 1, 2002 to September 30, 2008, of which Rs. 48,702 Million was translated into fictitious cash and bank balances. The difference amounting to Rs. 4,826 Million comprises of Rs. 4,828 Million of debtors net of other liabilities of Rs. 2 Million. In addition, there was fictitious unrealised exchange gain of Rs. 182 Million on fictitious debtors which was recognised, resulting in total fictitious debtors of Rs. 5,010 Million.
- b) **Interest income:** Fictitious interest income was recorded in respect of fictitious fixed deposit balances. Total fictitious interest income aggregating Rs. 8,998 Million was recognised over the period from April 1, 2002 to September 30, 2008. Of the above fictitious interest recognised, Rs. 3,271 Million was translated into fictitious cash and Rs. 1,970 Million was fictitiously recorded as withholding tax on such interest income. The difference amounting to Rs. 3,757 Million was reflected as accrued interest as at September 30, 2008. In addition an amount of Rs. 324 Million was accounted as interest accrued for the period from October 1, 2008 to December 31, 2008.
- c) **Exchange gain (net):** Fictitious exchange gain (net) amounting to Rs. 2,061 Million was recognised over the period from April 1, 2002 to September 30, 2008 primarily by restatement of fictitious cash and bank balances, fictitious interbank transfers and collections. The above fictitious exchange gain (net of exchange losses) resulted in increasing fictitious debtors by Rs. 182 Million, cash and bank balances by Rs. 1,885 Million and decrease in advance taxes by Rs. 6 Million.





- d) **Salary costs:** Net salary costs aggregating Rs. 2,933 Million were not recorded in the books of account resulting in fictitious cash and bank balances of Rs. 2,933 Million.
- e) **Others:** Others (net expense) aggregating Rs. 64 Million was on account of fictitious interest in relation to fictitious and unrecorded tax payments/refund identified (refer note (g) below). The same resulted in understatement of cash and bank balances by Rs. 64 Million.
- f) **Bank borrowings (including interest thereon):** There were unrecorded bank loans taken during the period from April 1, 2002 to September 30, 2008 aggregating Rs. 7,201 Million. The Company had effected unrecorded repayments to the extent of Rs. 5,809 Million. The outstanding balance of Rs. 1,392 Million as at September 30, 2008 was repaid in December 2008. Unrecorded interest expenses in respect of such loans amounted to Rs. 175 Million, resulting in fictitious cash and bank balances.
- g) **Tax payments:** There were certain fictitious tax payments (Advance tax and US federal tax), which were recorded in the books of account aggregating Rs. 3,061 Million. Further, there were genuine tax payments/refunds (net), unrecorded to the extent of Rs. 498 Million. The Management has evaluated the unrecorded tax payments in the overall context of tax related matters. Refer Note 6.6 of Schedule 19.

(ii) Financial irregularities where complete information is not available

These transactions were either improperly recorded in the accounting records or remained unrecorded. In addition, since the forensic investigation focused on the period from April 1, 2002 onwards, there were fictitious balances (cash and bank and debtors) and unrecorded liabilities where details remain unavailable.

The details of such items are given below:

- a) The forensic investigation identified fictitious cash and bank balances (Rs.9,964 Million), debtor balances (Rs. 557 Million) and unrecorded loans (Rs. 700 Million) originating in periods prior to April 1, 2002 aggregating Rs. 11,221 Million (net debit) which resulted in a net opening balance difference of Rs. 11,221 Million as at April 1, 2002. In the absence of complete information, the amount aggregating Rs. 11,221 Million has been accounted under "Unexplained Differences Suspense Account (Net)" in the Balance Sheet (Refer Schedule 12).
- b) The forensic investigation also identified certain transactions aggregating Rs. 166 Million (net debit) (comprising of Rs. 2,444 Million of gross debits and Rs. 2,278 Million of gross credits) during the period from April 1, 2002 to March 31, 2008 and Rs. 7 Million (net debit) (comprising of Rs. 12 Million of gross debits and Rs. 5 Million of gross credits) during the period from April 1 to December 31, 2008 which remain unidentified primarily due to lack of substantive documents. Accordingly, the amounts of Rs. 166 Million and Rs. 7 Million have been accounted under "Unexplained Differences Suspense Account (Net)" in the Balance Sheet (Refer Schedule 12).

The Company, on grounds of prudence, has provided for the opening balance differences (net) of Rs. 11,221 Million as at April 1, 2002 and other differences (net) of Rs. 166 Million during the period from April 1, 2002 to March 31, 2008 as Prior Period Adjustments (Refer Note 3.4 (ii) of Schedule 19) and has also provided for the other differences (net) of Rs. 7 Million relating to the period from April 1 to December 31, 2008 as a current year charge under Provision for Unexplained Differences (Refer Note 31.3 of Schedule 19).

The forensic investigation has so far been unable to identify the nature of certain alleged transactions aggregating Rs. 12,304 Million (net receipt) against which the Company has received legal notices from 37 companies claiming repayment of this amount which was allegedly given as temporary advances. Refer Note 6.1 of Schedule 19 for details.

(iii) Prior period errors

Certain additional adjustments in the nature of errors relating to the periods prior to April 1, 2008 were recorded in the financial statements as prior period adjustments by the Management to the extent identified.

The key areas of prior period errors impacting the Profit and Loss account are set out as under:

		<i>(Rs. in Million)</i>
S.No	Particulars	Amount [Debit/(Credit)]
(i)	Adjustment to revenue on account of unbilled revenue, unearned revenue and credit notes (Refer Notes 14.3, 14.7 and 14.8 of Schedule 19)	(1,608)
(ii)	Timing of asset capitalization and resultant impact on depreciation (Refer Note 12.1 of Schedule 19)	678
(iii)	ASOP costs (Refer Note 10.1 of Schedule 19)	186
(iv)	Marketing Expenses (Refer Note 16 of Schedule 19)	143
(v)	Others	(195)
	<b>Total</b>	<b>(796)</b>

Also refer Note 8.1(viii) of Schedule 19 in respect of accounting for FBT on ASOPs, Note 12.7 of Schedule 19 regarding accounting for ERP Software and Note 13.3 of Schedule 19 on accounting for Citisoft investment.

### 3.4 Accounting for financial irregularities and prior period errors

- i. The overall impact of the financial irregularities detailed in Note 3.3 of Schedule 19 above is summarised as under:

**(Rs. in Million)**

Particulars	Relating upto April 1, 2008 (Refer Note 3.4(ii) of Schedule 19)	Relating to period subsequent to April 1, 2008 (Refer Note 3.4(iii) of Schedule 19)	Total
<b>Specific Financial Irregularities as identified</b>			
Revenue	41,760	11,768	53,528
Interest income (including Rs. 324 Million referred to in Note 3.3(i)(b) of Schedule 19)	7,657	1,665	9,322
Exchange (loss)/gain	(684)	2,745	2,061
Interest on bank borrowings	174	1	175
Net salary costs	2,933	-	2,933
Others	(3)	(61)	(64)
<i>Sub-total (A)</i>	<u>51,837</u>	<u>16,118</u>	<u>67,955*</u>
<b>Financial Irregularities where complete information not available</b>			
Opening balance differences (net) as at April 1, 2002	11,221	-	11,221
Other differences (net) subsequent to April 1, 2002	166	7	173
<i>Sub-total (B)</i>	<u>11,387</u>	<u>7</u>	<u>11,394**</u>
<i>Total Financial Irregularities - (A+B)</i>	<u>63,224</u>	<u>16,125</u>	<u>79,349</u>
<i>Prior period errors (C)</i>	<u>(796)</u>	<u>-</u>	<u>(796) ***</u>
<b>Total (A+B+C)</b>	<b><u>62,428</u></b>	<b><u>16,125</u></b>	<b><u>78,553</u></b>

\* Rs. 67,631 Million (Refer Note 3.3(i) of Schedule 19) plus Rs. 324 Million (Refer Note 3.3(i)(b) of Schedule 19).

\*\* Refer Note 3.3(ii) of Schedule 19.

\*\*\*Refer Note 3.3(iii) of Schedule 19.

- ii. Adjustments pertaining to the period upto April 1, 2008 (prior period adjustments):  
As stated in Note 3.3 of Schedule 19, several adjustments resulting from financial irregularities and errors, relate to periods prior to April 1, 2008. The Company has recorded these adjustments amounting to Rs. 62,428 Million in the Profit and Loss account as prior period adjustments. This disclosure is pursuant to the order dated October 16, 2009 of the Honourable CLB, and is also in accordance with Accounting Standard 5 - "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".
- iii. Adjustments pertaining to the period subsequent to April 1, 2008:  
The adjustments resulting from financial irregularities relating to the period subsequent to April 1, 2008 aggregating Rs. 16,125 Million is adjusted to the specific captions in the Profit and Loss account as current year items.

### 3.5 Investigation by authorities in India

Pursuant to the events stated in Note 3.1 of Schedule 19, various regulators/ investigating agencies such as the Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO)/Registrar of Companies (ROC), SEBI, Directorate of Enforcement (ED) etc., have initiated their investigation on various matters pertaining to the Company which are ongoing.

The CBI has initiated legal proceedings before the Additional Chief Metropolitan Magistrate for Trial of Satyam Scam Cases, Hyderabad (ACMM) and has filed certain specific charge sheets against the erstwhile Chairman and others based on its findings so far.

The SFIO has submitted its reports relating to various findings and has also commenced prosecution against the Company for two alleged violations before the Economic Offenses Court, Hyderabad against the Company and others. The Company has filed a compounding application with respect to the alleged violations.



### 3.6 Investigation on round tripping

The investigating agencies in India and the Securities and Exchange Commission (SEC) of the United States of America (USA), are currently investigating matters such as round tripping pertaining to periods prior to April 1, 2002. While no specific information was available with respect to outflow of funds, information received from investigative agencies revealed that out of 29 inward remittances from an entity registered in a tax haven aggregating USD 28.41 Million, it is possible that 20 of these inward remittances aggregating USD 17.04 Million may have been used to set off outstanding invoices.

Also refer Note 3.3(ii) of Schedule 19 above.

### 3.7 Other matters

#### (i) Suspension/ termination of erstwhile management

Subsequent to the January 7, 2009 letter of the erstwhile Chairman, the Honourable CLB vide its order dated January 9, 2009 suspended the erstwhile Board of Directors including the erstwhile Chairman, Mr. B. Ramalinga Raju, and the former Managing Director, Mr. B. Rama Raju, with immediate effect. Further, the Company terminated the former Chief Finance Officer, Mr. Srinivas Vadlamani, with effect from January 8, 2009 and subsequent to the year end also terminated the former Vice President, Mr. G. Ramakrishna, the former Global Head of Internal Audit, Mr. V.S.P. Gupta, the former Assistant Manager (Finance), Mr. C. H. Srisailam, and the former Senior Manager (Finance), Mr. D. Venkatapathi Raju.

The CBI filed charge sheets accusing the above former directors and employees of cheating, forgery of accounts, forgery for the purpose of cheating, using forged documents as genuine, falsification of accounts and criminal conspiracy punishable under the Indian Penal Code. The trial is ongoing before the ACMM.

The Company also suspected an ex-employee of the Company for diverting the Company's resources through sub-contracting entities controlled by him. As the suspected diversion related to the period when the erstwhile Management was in the control of the Company the same was brought to the immediate notice of the CBI by the Company for appropriate action.

#### (ii) Non-reliance on audit report issued by Price Waterhouse

The Company had appointed M/s Price Waterhouse, Chartered Accountants ('PW' or 'the previous auditors') as the statutory auditors of the Company with effect from May 26, 2000. The previous auditors conducted the audit of the Company from the quarter ended June 30, 2000 to the quarter ended September 30, 2008 ('audit period'). After the letter of the erstwhile Chairman, the previous auditors vide their letter dated January 13, 2009 stated that their audit reports and opinions in relation to the financial statements for the audit period can no longer be relied upon.

The CBI has filed a charge sheet against Mr. S. Gopala Krishnan and Mr. Talluri Srinivas, partners of PW, for committing offense of cheating, forgery, using forged documents as genuine, criminal conspiracy and falsification of accounts, fabrication of documents, among other offences punishable under law. The trial is ongoing before the ACMM.

#### (iii) Possible diversion of funds for American Depository Shares (ADS) proceeds

The forensic investigation has indicated possible diversion aggregating USD 41 Million so far from the proceeds of the ADS which were listed with the New York Stock Exchange in May 2001. The forensic investigation revealed that there were three areas of payments from the ADS proceeds where possibility of diversion cannot be excluded. These are set out below

Description	USD Million
Payments to banks	22
Payments to other entities	9
Cash outflows for which beneficiary details are unknown	10
<b>Total</b>	<b>41</b>

#### (iv) The forensic investigation has not come across evidence suggesting that the financial irregularities, as identified, extended to the Company's subsidiaries and its joint venture.

### 3.8 Documents seized by CBI/other authorities

Pursuant to the investigations conducted by CBI/other authorities, most of the relevant documents in possession of the Company were seized by the CBI. On a petition filed by the Company, the ACMM, vide its order dated April 23, 2010 had granted partial access to the Company including for taking photo copies of the relevant documents as may be required in the presence of the CBI officials. Further, there were also certain documents which were seized by other authorities such as the Income Tax Authorities, of which the Company could only obtain photo copies.

### 3.9 Management's assessment of the identified financial irregularities

As per the assessment of the Management, based on the forensic investigation carried out through an independent counsel/forensic accountants (Refer Note 3.1 of Schedule 19) and the information available at this stage, all identified/required adjustments/disclosures arising from the identified financial irregularities, have been made in the financial statements (Refer Note 3.4 of Schedule 19).

Since matters relating to several of the financial irregularities are *sub judice* and the various investigations are ongoing, any further adjustments/disclosures, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

#### 4. Honourable CLB Orders

Subsequent to the letter by the erstwhile Chairman of the Company (as referred to in Note 3 of Schedule 19), the Union of India filed a petition before the Honourable CLB invoking the provisions of Sections 388B, 397, 398, 401 to 408 of the Act, pursuant to which the Honourable CLB has, vide its powers conferred under Section 388C read with Section 388B and also under Section 403 read with Sections 397/398 of the Act, passed various orders relating to the affairs of the Company which are summarised below:

- On January 9, 2009, the Honourable CLB suspended the then existing Board of Directors of the Company and authorised the Government of India ('Central Government') for the constitution of not more than 10 persons of eminence as directors.
- The Central Government vide order dated January 29, 2009 appointed 6 eminent persons as directors of the Company.
- On February 19, 2009, the Honourable CLB authorised the Board of Directors nominated by the Central Government to induct strategic investors in the Company.
- On February 19, 2009, the Honourable CLB authorised the increase in the authorised share capital of the Company from Rs. 1,600 Million to Rs. 2,800 Million.
- On April 16, 2009, the Honourable CLB approved the selection of Venturbay Consultants Private Limited ('Venturbay') as a strategic investor in the Company through a global competitive bidding process, approved by SEBI and conducted under the supervision of former Chief Justice of India, Shri S.P. Bharucha.
- On April 16, 2009, the Honourable CLB also approved the application made by the Company for extension of timelines for submitting the audited financial statements for the financial year 2008-09 to December 31, 2009.
- On July 6, 2009, the Honourable CLB approved the appointment of statutory auditors of the Company for the year ended March 31, 2010 subject to the ratification by the general body of the Company, as and when AGM is held.
- On July 17, 2009, the Honourable CLB authorised the withdrawal of four out of the six directors nominated by the Central Government and authorised the remaining two directors to continue till such time the Central Government desires to continue them, however, not beyond a period of three years from the date of the order.
- On October 15, 2009, the Honourable CLB approved the appointment of statutory auditors of the Company for the year ended March 31, 2009 subject to the ratification by the general body of the Company, as and when AGM is held.
- On October 16, 2009, the Honourable CLB also approved the application made by the Company for extension of timelines for submitting the audited financial statements for the financial year 2008-09 to June 30, 2010.
- On June 30, 2010, the Honourable CLB approved the application made by the Company for extension of time for submission and publication of the financial statements for the years ended March 31, 2009 and March 31, 2010 to September 30, 2010, exempted the Company from publication of financial results for the quarter ended December 31, 2008 to March 31, 2010, and the time for holding the AGM for the financial year 2008 – 09 and 2009 – 10 was extended by 3 months, permission to file with ROC the Balance Sheet, the profit and loss and other related annexures for the financial years 2008-09 and 2009-10, and any filing required under other applicable laws including taxation laws, within 30 days from the date of the AGM, and the tenure of the statutory auditors till the conclusion of the Annual General Meeting for the financial year 2009-10.

#### 5. Acquisition by Venturbay

M/s Venturbay Consultants Private Limited ("Venturbay") became the successful bidder of the global competitive bidding process initiated/ concluded under the supervision of former Chief Justice of India, Shri S.P. Bharucha. Shri S.P. Bharucha has also given in writing to Honourable CLB that the process of selection was fair, transparent and open as required.

On May 5, 2009, Venturbay was allotted 302,764,327 equity shares of Rs. 2 each of the Company at a premium of Rs. 56 per share (being 31% of the paid up capital) for a consideration of Rs. 17,560 Million.

On July 10, 2009, pursuant to completion of the open offer, Venturbay was further allotted 198,658,498 equity shares of the Company (par value of Rs. 2 each per share) at a premium of Rs 56 per share for a consideration of Rs. 11,522 Million. Consequently, Venturbay currently holds 501,843,740 equity shares (including 420,915 equity shares acquired through the open offer) representing 42.67% of the paid up share capital of the Company. Currently, the Board of Directors of the Company comprises seven directors of which three are representatives from Venturbay, two are nominees of the Central Government and two are independent directors.

#### 6. Commitments and contingencies

##### 6.1 Alleged advances

The erstwhile Chairman in his letter dated January 7, 2009, stated that the Balance Sheet as of September 30, 2008 carried an understated liability of Rs. 12,304 Million on account of funds arranged by him. On January 8, 2009, the Company received letters from thirty seven companies requesting confirmation by way of acknowledgement of the alleged amounts referred to as 'alleged advances'. These letters were followed by legal notices from these companies dated August 4/5, 2009, claiming repayment of Rs. 12,304 Million allegedly given as temporary advances. The legal notices also claim damages/ compensation @ 18% per annum from date of advance till date of repayment. The Company has not acknowledged any liability to any of the thirty seven companies and has replied to the legal notices stating that the claims are legally untenable. The ED is investigating the matter under the Prevention of Money Laundering Act, 2002 and directed the Company to furnish details with regard to the alleged advances and has further directed the Company not to return the alleged advances until further instructions from the ED.



On November 11, 2009, four out of the thirty seven companies, have filed suits for recovery before City Civil Court, Secunderabad, against the Company with a prayer to file as indigent person seeking exemption from payment of required Court fee. The aggregate amount sought to be recovered by these four companies is Rs. 3,131 Million and interest @18% per annum. These cases are pending before the said Court. As of date, the remaining thirty three companies have filed similar petitions in the said Court and the petitions are pending.

As of March 31, 2009, the amount of alleged advances has been presented separately under 'Amounts Pending Investigation Suspense Account (Net)'. The Company is contesting the claims for recovery filed as indigent petitions/suits by these companies. Since the matter is *sub judice* and the investigation by various Government Agencies is in progress, the Management, at this point of time, is not in a position to predict the ultimate outcome of the legal proceedings initiated by these thirty seven companies.

## **6.2 Claims from Upaid Systems Limited (Upaid)**

In connection with the lawsuit filed by Upaid, the Company deposited an amount of Rs. 3,274 Million (equivalent to USD 70 Million) into an escrow account pursuant to a Settlement Agreement with Upaid to settle the litigation commenced by Upaid against the Company in the United States District Court for the Eastern District of Texas, Marshall County in USA wherein Upaid sought damages exceeding USD 1 Billion for fraud and forgery in addition to other punitive damages, fees and costs.

Subsequently, the Company obtained a favorable ruling against Upaid from the Supreme Court of the State of New York, USA declaring that Upaid was solely responsible for any tax liability under Indian law in respect of the settlement amount. Upaid has filed an application before the Authority for Advance Rulings seeking a binding advance ruling under the Income Tax Act, 1961 (IT Act), for taxability of the above mentioned payment. The order of the Authority for Advance Rulings has not been delivered till date.

Pending resolution of dispute, the Texas Action is currently adjourned.

## **6.3 Class Action Complaints**

### **(i) Class Action Complaint**

Subsequent to the letter by the erstwhile Chairman (Refer Note 3.1 of Schedule 19), a number of persons claiming to have purchased the Company's securities filed class action lawsuits in various courts in the USA alleging violations of the anti-fraud provisions of the Securities Exchange Act of 1934. The Company, the former officers, directors and former auditors of the Company, Maytas Infra Limited and some of its directors, Maytas Properties Limited and some of its directors are named as defendants in these lawsuits. The lawsuits were consolidated into a single action (the 'Class Action') in the United States District Court for the Southern District of New York (the 'Court').

The Class Action Complaint seeks monetary damages to compensate the Class Members for their alleged losses arising out of their investment in the Company's common stock and ADS during the Class Period.

### **(ii) On November 13, 2009, a trustee of two trusts that are assignees of the claims of twenty investors who purchased the Company's ADS or common stock (prior to the aforementioned letter by the erstwhile Chairman of the Company) and who sold their ADS or common stock after the confession, filed a complaint against the Company, its former auditors and certain other individuals (the 'Action') on grounds substantially similar to those contained in the Class Action Complaint mentioned above. The Action, which has been brought as an individual action, was filed after the consolidation of various class action lawsuits. The complaint filed in the Action alleges that the losses suffered by the twenty investors, for which recovery is sought, is over USD 68 Million.**

### **(iii) Consolidation of Class Action Complaint and the Action**

The Action was transferred to the Court in the Southern District of New York for pre-trial consolidation with the Class Action Complaint.

Based on the legal advice obtained by the Company, the Company is contesting the above lawsuits, the outcome of which is not determinable at this stage.

## **6.4 SEC proceedings**

The Division of Enforcement ('Division') of the SEC is conducting a formal investigation into misstatements in the Company's financial statements predating January 7, 2009, the date of self-disclosure of financial irregularities by the erstwhile Chairman. The Company is cooperating fully with the investigation. On September 17, 2009, the Company received a 'Wells Notice' from the Division, which was a notification advising the Company that the Division had tentatively concluded that it would recommend to the Commissioners of the SEC that it files a civil suit against the Company, alleging fraud and other violations, and seeking permanent injunctions and monetary relief. As of date, the SEC has not made a determination regarding any staff recommendation in this matter. The outcome of this matter is not determinable at this stage.

## **6.5 Claims from a customer**

The Company had entered into an agreement with a customer for software development for the operations of a customer in Japan. The Company executed the software development in accordance with the terms of the agreement. In 2005, the customer invoked arbitration contending deficiency of services and claiming damages of Japanese Yen 364 Million (equivalent to Rs. 189 Million) which is being disputed by the Company. The Company has also filed a counter claim of USD 0.24 Million (equivalent to Rs. 12 Million) being the balance amount due and payable for the work done by the Company, apart from other charges and interest the Company is entitled to. The matter is now pending before a Sole Arbitrator in Pune, the outcome of which is not determinable at this stage.

## 6.6 Income tax matters

### Company

(i) Financial years 2002-03 to 2005-06

Consequent to the letter of the erstwhile Chairman referred to in Note 3.1 of Schedule 19, the Income Tax department conducted certain enquiries and passed rectification orders under Section 154 of the IT Act dated April 2, 2009, disallowing part of the claim made by the Company towards foreign tax credits and tax deducted at source which were earlier allowed in the assessments for the financial years 2002-03 to 2005-06, resulting in a demand of Rs. 2,358 Million. The Company has filed appeals before the Commissioner of Income Tax (Appeals) (CIT(A)) against the above said rectification orders, *inter alia*, contending that the said rectification orders are not based on record available as on the date of assessments and therefore not valid in law. Further, the Company has contended in the appeals that in any case, the past assessments should be rectified only after taking into account all the facts and circumstances of the case, after excluding the fictitious sales and non-existent income wrongly offered to tax earlier, and after arriving at the correct taxable income of the Company. The Company has received orders from the CIT(A) whereby the appeals filed for the above referred years have been disposed off against the Company. The Company has filed an appeal before the Income Tax Appellate Tribunal, (ITAT) Hyderabad challenging the order passed by the CIT(A). As per the independent professional opinion obtained by the Company the order passed by the CIT(A) is not tenable in law and is liable to be quashed by the appellate authorities

While the stay petitions filed by the Company for non payment of the disputed tax demands have been rejected by the lower authorities, the Central Board of Direct Taxes (CBDT) has endorsed a copy of the stay petition to the Director General of Income Tax (Inv) Hyderabad and directed him to dispose of the stay petition by way of a speaking order, after providing appropriate opportunity of being heard to the Company which proceedings are in progress.

(ii) Financial years 2001-02, 2004-05 and 2005-06

In addition to the demands referred to above relating to financial years 2004-05 and 2005-06, the Company has also received demands from the income tax authorities for Rs. 677 Million for the said years in the normal course of assessment against which the Company has filed an appeal before the CIT (A). As against the said demand, the Company has paid an amount of Rs. 5 Million as at March 31, 2009 under protest. The CIT (A) has passed an order allowing the grounds of appeal following the ITAT orders on same issues for the earlier years in relation to the Company, which if given effect to will result in the above demand being reduced to Nil. The CIT(A) has, however, rejected the additional grounds regarding computation of income and also directed the assessing officer to compute the tax liability after taking into account the separate orders passed for order referred in Note (i) above. The Company is in the process of filing further appeals before the ITAT.

(iii) Financial years 2006-07 and 2007-08

Based on the information available with the Company and the reports of the investigating agencies, the Company has filed revised returns of income for the financial years 2006-07 and 2007-08, within the time stipulated under the IT Act, duly adjusting the fictitious sales and non-existent interest wrongly offered to tax in the original return of income filed by the Company. The assessing officer, however, rejected the revised return filed for the aforesaid financial years on the ground that the reports of the investigating agencies are subject to the proceedings before the Courts and that the Company has not discovered any omission or wrong statement in its original return of income, and that the revised return, if any, ought to have been filed based on the Company's revised financial statements which was not done.

With respect to financial year 2006-07, a total demand of Rs.812 Million has been raised against the Company in the impugned order. The Company has filed an appeal against the above said rejection of its revised return contending that the Company has a right to revise its return of income under the provisions of the IT Act and once a revised return of income is validly filed within the stipulated time, the assessing officer has to consider the same during the assessment proceedings and that the assessing officer has no power under the IT Act to reject the revised return of income. The Company is of the view that the impugned order of the assessing officer, purporting to reject the revised return of the Company, is based on extraneous and irrelevant grounds, is invalid, beyond jurisdiction and is liable to be quashed by the appellate authorities.

With respect to financial year 2007-08, prior to the Company filing the revised return, the Company received an intimation under Section 143(1) of the IT Act demanding an amount of Rs.2,562 Million on the Company rejecting the claim of the Company for foreign tax credits and tax deducted at source in view of non-availability of the details of the tax claims made by the Company. The Company has since filed the necessary details/ tax credit certificates before the assessing officer. Subsequently, the Company has received a letter from the assessing officer demanding a total amount of Rs. 1,728 Million after considering the details furnished by the Company. The assessing officer also rejected the request for stay on recovery proceedings and has directed the Company to pay the entire amount along with interest immediately. The Company is evaluating its further course of action.

(iv) Petition under Section 264

In respect of the orders under Section 154 of the IT Act relating to the financial years 2002-03 to 2005-06 referred to in note (i) above, the Company filed a petition under Section 264 of the IT Act for revision of the above said orders before the Commissioner of Income Tax. The Commissioner of Income Tax had rejected the Company's petition under Section 264 on the grounds that the appeal against the same orders under Section 154 were pending before the CIT(A) at that time and pending disposal of such appeals, no revision order under Section 264 could be passed. The Company is evaluating its further course of action.





(v) Petition before the Central Board of Direct Taxes (CBDT)

Pursuant to the matters mentioned above, the Company has filed a stay petition before the CBDT dated August 5, 2010 as per which the Company has requested the CBDT to grant stay of recovery proceedings for the financial years 2002-03 to 2007-08 till the correct quantification is done of the income and tax payable for these respective years. Accordingly, the Company has requested the CBDT to issue necessary directions to the Income Tax Department.

While the stay petitions filed by the Company for non-payment of the disputed tax demands have been rejected by the lower authorities, the Central Board of Direct Taxes (CBDT) has endorsed a copy of the stay petition to the Director General of Income Tax (Inv) Hyderabad and directed him to dispose of the stay petition by way of a speaking order, after providing appropriate opportunity of being heard to the Company which proceedings are in progress.

(vi) Provision for taxation

The Company is carrying a total amount of Rs.4,371 Million (net of payments) as at March 31, 2009 towards provision for taxation which was made primarily on the basis of the past financial statements. Considering the effects of financial irregularities, the status of disputed tax demands and appeals/ claims pending before the various authorities, the consequent uncertainties regarding the outcome of these matters and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the balance of tax provisions outstanding as at the Balance Sheet date.

(vii) Software Technology Parks of India (STPI) matters

The Company has received certain communications from the STPI authorities asking for various clarifications regarding the filings made in the past and other compliance related matters. The Management has provided/ is in the process of providing these details to the authorities.

Further, the Company has also not received the certification of invoices from the STPI authorities for some of the locations as required by the relevant STPI regulations.

**Subsidiaries - SVES**

The tax assessments for the assessment years 2003-04, 2004-05 and 2005-06 have been completed by the assessing officer by making additions in respect of commission paid to Venture Global LLC (VGE), on arms length price of the international transactions between the SVES and adjustment to the calculation of export turnover and depreciation relating to the software assets partly acquired utilizing the capital subsidy. The demands raised by the authorities for all the assessment years amounted to Rs. 47 Million. SVES had appealed against these orders with the CIT(A) for all the years. The CIT (A) for assessment year 2004-05 had decided the case in favour of SVES with respect to the export turnover and against SVES in respect of commission paid to VGE. The appeal for the years 2003-04 and 2005-06 are yet to be adjudicated by the CIT (A). SVES has filed appeal against the order of the CIT (A) with ITAT. Pending disposal of the appeal, SVES as a measure of prudence had made provision for tax relating to earlier years to the extent of Rs. 30 Million representing the tax liability on commission paid to VGE with respect to sales made to the Company (mainly to end customer TRW) as balance sales commission paid to VGE on sales made to others has been allowed for all the three years and the balance Rs. 17 Million is considered as Contingent liability.

**6.7 Indirect tax matters**

(i) Sales tax/value added tax

The Company has received demands from the Karnataka Sales Tax Department for financial years 2003-04 and 2004-05 totaling to Rs. 620 Million (including penalty for Rs. 104 Million), which has been paid under protest by the Company. The Company has gone on appeal against the said demand which appeal is pending before the Karnataka Appellate Tribunal.

The Company has also received demands from the Andhra Pradesh Sales Tax Department amounting to Rs. 250 Million (including penalty of Rs. 119 Million) for financial years 2002-03 to 2008-09. As against the above demand, the Company has paid an amount of Rs. 196 Million (including penalty of Rs. 83 Million) under protest. The Company's appeal for the financial years 2002-03 to 2007-08 filed before the Appellate Deputy Commissioner of Sales Tax was rejected and the Company has filed an appeal against the same before the Sales Tax Appellate Tribunal.

The Company has also received a show cause notice of Rs. 4,554 Million to tax unlicensed software for the period 1999-00 to 2004-05 from the Tamil Nadu Sales Tax Department. The Company has submitted the necessary details before the authorities.

(ii) Service tax

The Company had availed Service Tax Input Credit on general insurance premium, outdoor catering service, health and fitness service, house- keeping service, event management service etc. The Service Tax Department has challenged the above credit for the period from March 2005 to September 2008 and has demanded service tax amounting to Rs. 212 Million (including penalty of Rs. 106 Million). The Company has gone on appeal before the Central Excise Service Tax Appellate Tribunal (CESTAT) for confirming the Service Tax Input Credit availed, which is pending final disposal.



### 6.8 Matters relating to overseas branches

The details of various claims/potential claims/ tax demands on account of tax provisions relating to the overseas branches are given below:

<i>(Rs. in Million)</i>	
<b>Particulars</b>	<b>Amount</b>
Claim arising out of the special audit initiated by the Belgian tax authorities. The audit is in progress and the Company is in the process of providing the necessary information	Not quantifiable
Income tax demands in the United States of America:	
- State of Pennsylvania	4
- New York State income tax liability for the years 2006, 2007 and 2008. The Company has requested the tax authorities not to proceed till the Company files restated returns. The tax authorities have granted approval to the Company's request.	106
- California State income tax liability for the years 2003, 2004 and 2005. The Company has requested the tax authorities not to proceed till the Company files restated returns. The tax authorities have granted approval to the Company's request.	62
Others	176

### 6.9 Compliance with employee/labour related laws

- (i) Demand from Employees' State Insurance authorities and Provident Fund

During the financial year ended March 31, 2008, the Company has received a demand of Rs. 3 Million from the Regional Office, Employees' State Insurance (ESI) Corporation pertaining to the period from April 2004 to March 2005. The Company has remitted Rs. 1 Million in respect of the same under protest and has appealed against the demand order which is pending final disposal at the ESI Court.

Similarly, subsequent to March 31, 2009, the Company has received an order from the Employees' Provident Fund Organisation demanding an amount of Rs. 3 Million pertaining to December 2008. The Company has appealed against the same before the Employees' Provident Fund Appellate Tribunal, which is pending disposal. The Company has remitted Rs. 1 Million against the said demand under protest.

- (ii) Other employee/labour related laws

The Company carries out significant operations through its branches/sales offices located at various countries. The Company has assessed the compliance with various other employee/labour related laws and based on such assessment done, non-compliances, wherever identified, have been appropriately dealt with.

### 6.10 Purchase commitments in respect of subsidiaries

The details of future purchase consideration payable in respect of certain acquired subsidiaries are given below:

#### As at March 31, 2009:

<i>(Amounts in Million)</i>				
<b>Name of subsidiary</b>	<b>Currency</b>	<b>Amount</b>	<b>Amount in INR</b>	<b>Payable by</b>
Bridge Strategy Group LLC	USD	8	408	October 2010

The details of future purchase consideration payable by one of the subsidiaries (Satyam Belgium) to the sellers in respect of certain acquired subsidiaries are given below:

<i>(Amounts in Million)</i>				
<b>Name of subsidiary</b>	<b>Currency</b>	<b>Amount</b>	<b>Amount in INR</b>	<b>Payable</b>
S&V Management Consultants	EURO	11	744	In Installments April 2009 to April 2011

#### As at March 31, 2008 ("As Published" (Refer Note 34 of Schedule 19))

<i>(Amounts in Million)</i>				
<b>Name of subsidiary</b>	<b>Currency</b>	<b>Amount</b>	<b>Amount in INR</b>	
Bridge Strategy Group LLC	USD	35	1,395	



### 6.11 Dispute with Venture Global LLC

The Company and Venture Global Engineering LLC (VGE) entered into a Joint Venture Agreement on October 20, 1999 to form an Indian Company called Satyam Venture Engineering Services Private Limited (SVES). SVES was formed to provide engineering services to the automotive industry. The capital participation of the Company and VGE was in the ratio of 50:50. On or around March 20, 2003 numerous corporate affiliates of VGE filed for bankruptcy. This triggered the option for the Company to purchase VGE's shares of SVES under the Shareholder's Agreement which the Company exercised. As VGE disputed the Company's action, the Company requested for arbitration with the London Court of International Arbitration (LCIA) as provided in the Shareholder's Agreement.

The Arbitrator gave an award dated April 3, 2006 in favour of the Company. The Company filed for enforcement and recognition of the award before the District Court of Michigan, U.S.A. The District Court on July 31, 2006 directed enforcement of the award and the Sixth Grant Court of Appeals in US on May 25, 2007 affirmed it. On April 28, 2006, while the proceedings were pending in the USA, VGE also filed a suit before the District Court of Secunderabad in India for setting aside the award dated April 3, 2006. The District Court of Secunderabad and the High Court of Andhra Pradesh dismissed VGE's petition for setting aside the award. On an appeal by VGE, the Supreme Court of India on January 10, 2008, set aside the orders of the District Court and the High Court and remanded the matter back to City Civil Court, Hyderabad for hearing on merits. The Supreme Court also directed status quo with regard to transfer of shares till the disposal of the suit.

On January 17, 2008, the District Court of Michigan held VGE in contempt for its failure to honour the award and amongst others directed VGE to dismiss its Board members and replace them with individuals nominated by the Company. The order of the District Court of Michigan in contempt proceeding was affirmed by the Sixth Court of Appeals on April 9, 2009. Following this VGE has appointed the Company's nominees on the Board of SVES and SVES confirmed the appointment at its Board meeting held on June 26, 2008. The Company is legally advised that SVES became its subsidiary only with effect from that date.

VGE also sought to file an application for bringing additional pleadings on record in the matter pending before the City Civil Court which allowed VGE's application. As the High Court of Andhra Pradesh allowed the Company's appeal against the order of the City Civil Court, VGE appealed against the order of the High Court to the Supreme Court. The Supreme Court on August 11, 2010 allowed VGE's application to bring on record additional pleadings. The matter is pending before the City Civil Court, Hyderabad.

### 6.12 Other claims/contingencies/commitments

- (i) The details of other claims/contingencies/commitments as at March 31, 2009 are summarised below:

Particulars	<i>(Rs. in Million)</i>	
	As at March 31, 2009	As at March 31, 2008" As Published" (Refer Note 34 of Schedule 19)
Vendor claims	107	
Employee claims	24	
Customer claims	90	
Other shareholder claims	0.3	
Claims from promoters of subsidiaries	Refer Note 13.5 of Schedule 19	
Guarantees/Comfort letters provided by the Company	Refer Note 27 of Schedule 19	
Bank guarantees outstanding	1,832	1,025
Corporate guarantees given on behalf of a subsidiary in respect of a loan availed by the subsidiary	3,345	1,947
Contracts pending execution on capital accounts (net of advances)	3,378	4,007
<b>Subsidiaries</b>		
Bank guarantees outstanding	9	
Contracts pending execution on capital accounts (net of advances)	4	
Others	17	

- (ii) The Company has certain outstanding export obligations/commitments as at March 31, 2009. The Management is confident of meeting these obligations/commitments within the stipulated period of time/obtaining suitable extensions, wherever required.

### 6.13 Management's assessment of contingencies/claims

The amounts disclosed under contingencies/claims represent the best possible estimates arrived at on the basis of the available information. Due to the high degree of judgment required in determining the amount of potential loss related to the various claims and litigations mentioned above in which the Company is involved and the inherent uncertainty in predicting future settlements and judicial decisions, the Company cannot estimate a range of possible losses. However, excluding the liability, if any, arising from the class action suits as mentioned in Note 6.3 of Schedule 19 for which the outcome is not determinable at this stage, the Company has made appropriate provision for contingencies as at March 31, 2009 which, in the opinion of the Management, is adequate to cover any probable losses in respect of the above litigations and claims. Refer Note 31.2 of Schedule 19.

## 7. Insurance claims

A Directors and Officers Liability Policy ('D&O Policy') had been taken by the Company to protect its directors and officers against legal costs incurred by them in defending allegations or suits brought against them for wrongful acts and any awards granted against them, including out of court settlements. The D&O Policy also protects the Company if it is exposed to a 'Securities Claim' as defined under the D&O Policy. The primary policy for the period from October 15, 2008 to October 14, 2009 had been issued by the Lead Insurer, and secondary policy forming multiple layers of coverage in excess of the primary policy had been issued by other insurance companies.

The Company has notified the Lead Insurer regarding receipt of notices from several regulatory authorities and the class action suits.

The Lead Insurer, while expressly reserving its rights under the D&O Policy, has taken a preliminary view and disputed the claim under the D&O Policy. The Company has replied wherein it has expressly reserved its rights with respect to the D&O Policy and disagreed with a number of statements and positions taken by the Lead Insurer.

The Company is examining various options for proceedings against the Lead Insurer and, hence, the outcome is uncertain at this stage.

## 8. Regulatory non-compliances/breaches

The Company has identified certain non-compliances/breaches of various laws and regulations of the Company under the erstwhile management including, but not limited to the following:

### 8.1 The Companies Act, 1956 ('the Act')

- (i) Payment of remuneration/commission to whole-time directors/non-executive directors in excess of the limits prescribed under the Act.

Pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Act the shareholders of the Company had approved remuneration to Mr. B. Ramalinga Raju, Mr. B. Rama Raju and Mr. Ram Mynampati, the erstwhile whole-time directors of the Company.

The details of remuneration paid to the whole-time directors for the financial year 2008 - 09 is given below:

<i>(Rs. in Million)</i>	
Name of the Director	2008-09
Mr. B. Ramalinga Raju	5
Mr. B. Rama Raju	4
Mr. Ram Mynampati	21
<b>Total</b>	<b>30</b>

As the Company has incurred losses in the current year, the actual remuneration paid to the whole-time directors is in excess of the amounts payable to them as minimum remuneration in accordance with the provisions of Schedule XIII of the Act to the extent of Rs. 23 Million for the year 2008-09 and, hence, the excess amount is accounted as recoverable from the respective directors who received it. The Company is proposing to initiate proceedings for recovery of the aforesaid excess remuneration paid for the year 2008-09 from the respective directors.

The Company had also paid Rs. 11 Million towards commission to non-executive directors during the financial year 2008-09. For the reasons stated above, the actual commission paid to the non-executive directors is in excess of the amounts payable to them in accordance with the provisions of the Act to the extent of Rs.11 Million for the year 2008-09 and, hence, the excess amount is accounted as recoverable from the respective directors who received it. The Company is proposing to initiate proceedings for recovery of the aforesaid excess commission paid for the year 2008-09 from the respective directors.

For the financial years prior to 2008-09:

The Company is exploring the possibility of recovering the excess remuneration/commission, if any, paid by the Company to the respective directors for the years prior to 2008-09.

- (ii) Unauthorised borrowings

The investigations revealed that the Company borrowed Rs. 7,201 Million from various banks without obtaining Board approvals during the period from April 1, 2002 till September 30, 2008. Also Refer Note 3.3(i) of Schedule 19.

The Company has repaid the entire amount as at March 31, 2009.

In the absence of Board / shareholders' approval, for the above borrowings, the Company has violated Section 292(1)(c) and Section 293(1)(d) of the Act.

- (iii) Excess contributions

The Company with the prior approval of Board in its meeting held on July 21, 2005, contributed amounts aggregating Rs 141 Million to Satyam Foundation from June 2005 to September 2008.



As per Section 293 (1)(e) of the Act, except with the consent of the shareholders in a general meeting, contributions by the Company to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, shall not exceed fifty thousand rupees, or five per cent, of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three immediately preceding financial years, whichever is greater.

The Company is exploring the possibility of recovering the excess contributions, if any, made to Satyam Foundation from the erstwhile directors for the period from June 2005 to September 2008.

- (iv) Loan to ASOP Trust without prior approval

The Company has given a loan of Rs. 50 Million to Satyam Associate Trust on February 14, 2007 without obtaining the prior approval of the Board of Directors or delegation of such power as required under Section 292(1)(e) of the Act.

- (v) Delay in deposit of dividend in the bank

The Company had paid dividend to its shareholders during the financial years 2001- 02 to 2008-09. Both interim and final dividends were paid within the statutory limit of 30 days from the date of declaration as per Section 205 of the Act. However, in some cases, the amount towards dividends was deposited in the bank account opened for payment of dividend after five days from the date of declaration of such dividend contrary to the provisions of Section 205(1A) of the Act.

- (vi) Dividend paid without profits

For the financial year 2008-09, the Company declared and paid an amount of Rs. 674 Million as interim dividend based on the approval obtained from the erstwhile Board of Directors of the Company vide their resolution dated October 17, 2008. As the Company has incurred losses in the current year (even before prior period adjustments identified on account of the financial irregularities during the earlier years), there were no profits for the purpose of declaring dividend and, hence, there is a non-compliance of Section 205 of the Act.

The Company has been legally advised that it has a right of recourse against the erstwhile Board of Directors for declaration and payment of dividend in view of the absence of profits for the year 2008-09. The Company is proposing to initiate proceedings against the erstwhile directors for recovery of dividends paid to the shareholders for the year 2008-09.

For the financial years prior to 2008-09:

The Company is exploring the possibility of recovering the dividend paid to the shareholders from the erstwhile directors for the years prior to 2008-09, if such payment was in contravention with the provisions of Section 205 of the Act.

- (vii) Non-transfer of profits to general reserve relating to interim dividend declared

Consequent to the interim dividend declared and paid by the Company for the financial year 2008-09, the Company has to transfer a minimum stipulated amount to the General Reserve in accordance with the provisions of the Companies (Transfer of Profits to Reserves Rules), 1975. As the Company has incurred losses in the current year (even before prior period adjustments identified on account of the financial irregularities during the earlier years), there is an inadequate balance in the Profit and Loss account for the purpose of transfer of such amount to the General Reserve and, accordingly, no such transfer to the General Reserve could be effected.

For the financial years prior to 2008-09:

The Company has not determined whether there was inadequate balance in the Profit and Loss account during the years prior to 2008-09 for the purpose of transfer of amounts to the General Reserve relating to dividends declared.

- (viii) Utilisation of the Securities Premium account

As per the method of accounting followed by the Company, the fringe benefit tax (FBT) on ASOP is recovered from the employees as part of the amount received towards allotment of shares on exercise of the options. At the time of recovery, this amount is netted off against the FBT expense in the Profit and Loss account.

During the previous year ended March 31, 2008, as per the accounting policy followed by the Company during that year, the Company had included the amount recovered from employees towards FBT amounting to Rs. 168 Million as part of the Securities Premium account and debited the FBT liability towards stock options exercised during the year 2007-08 amounting to Rs. 192 Million to the Securities Premium account.

The Company, based on legal advice, is of the opinion that the amounts of such recovery and remittance of FBT should not have been routed through the Securities Premium account and, hence, has corrected the same in the financial statements to the extent of the excess amount of Rs. 24 Million, representing short recovery of FBT from employees, which was incorrectly debited to the Securities Premium account and which could result in violation of the provisions of Section 78 of the Act.

- (ix) Declaration of bonus shares

In respect of issue of bonus shares in the prior periods, the Company is in the process of determining whether there has been any non compliance with the provisions of the Act.

- (x) Company law violations as per SFIO reports

Consequent to the letter written by the erstwhile Chairman, SFIO investigated into the affairs of Company under Section 235 of the Act. As a result of the investigation, SFIO filed seven cases on company law violations, out of which the Company is accused in the two cases mentioned below:

- (a) The payment of professional fee to Mr. Krishna G Palepu, a non-executive director was with the approval of shareholders by way of special resolution passed in the Annual General Meeting held on August 21, 2006 as per the provisions of Section 314 of the Act. However, the SFIO held that the Company had not complied with Section 309 of the Act in seeking the opinion of the Central Government on the requisite qualifications possessed by the director for the practice of the profession. The SFIO held that the instant case was not covered under Section 314 of the Act as the terms of reference given to Mr. Krishna G Palepu did not indicate the assignment of any specific position or office of profit to him in the Company.

The Union of India has commenced prosecution in the Court of the Special Judge for Economic Offences at Hyderabad under Section 621 alleging violation of Section 309 read with Section 629A of the Act. The trial is ongoing. It has also sought refund of the amount paid to Mr. Krishna G Palepu to the Company. The Company has filed a compounding application with respect to the said offence.

- (b) The SFIO has stated that the Company had filed incomplete balance sheets as on March 31, 2007 and March 31, 2008 on the MCA website as the attachments of the balance sheets did not contain the directors' report along with the annexure required under the various rules, the auditors' report for the financial year 2006-07 and schedules to the balance sheet, the directors' report along with the required annexure and the auditors' report for the financial year 2007-08 thereby violating the provisions of Section 220 of the Act.

The Company had not received any communication from the Registrar of Companies, Andhra Pradesh seeking clarification on the incomplete filing for the financial year 2006-07. Approval for the filing for financial year 2007-08 was received by the Company and all the required documents except auditors' report are available on the MCA website.

The Union of India has commenced prosecution in the Court of Special Judge for Economic Offences at Hyderabad under Section 621 alleging violation of Section 220 read with Section 162 of the Act for filing incomplete balance sheets. The trial is ongoing. The Company has filed a compounding application with respect to the said offence.

## **8.2 SEBI**

The Company had formulated the Associate Stock Option Plan (ASOP) A scheme prior to issue of the ESOP Guidelines by SEBI. This plan is administered through the Trust and the Trust has been granting warrants from time to time. On the pretext that the ASOP A scheme was framed prior to the current ESOP guidelines as amended by a notification issued on June 30, 2003, the details of warrants granted under the ASOP A scheme during the financial years 2003 - 04 to 2007 - 08 were not provided under the disclosures made in the Directors Report as required under Clause 12(1) of the aforementioned guidelines and in the disclosures required to be made in the financial statements of the Company. Further, no stock compensation costs were recorded by the Company in its financial statements for the above mentioned period. This is in violation of the ESOP Guidelines issued by SEBI.

## **8.3 Foreign Exchange Management Act (FEMA), 1999**

- (i) In some of the cases, the Company has not been able to do a "one on one" matching of the foreign currency receipts against the Foreign Inward Remittance Certificates (FIRC) obtained from the bankers. Pending such matching, the Company has appropriated the collections based on and to the extent of the information available with the Management. Further, the Company has not filed such invoice wise FIRC details with Authorised dealer as required by the FEMA regulations.
- (ii) There are certain uncollected dues/receivables in foreign currency which are outstanding for a long period of time for which the required permission for extension of time has not been obtained from the appropriate authorities.

The Company is in the process of regularising the same and filing all the required applications/details.

## **8.4 Delay in filing of return of income with the audited financial statements**

Consequent to the events mentioned in Note 3.1 of Schedule 19 above and pending finalisation of the accounts as at the due date for filing the return of income, the Company has not yet filed the return of income for the financial year ended March 31, 2009 within the time stipulated under the provisions of the IT Act. However, the Company had filed a provisional return of income on September 30, 2009 for the said financial year. The Company has also received a notice from the assessing officer asking the Company to show cause as to why a penalty should not be levied under Section 271B for the failure to get the books of account audited under the provisions of Section 44AB of the IT Act.

The Company has filed a petition before the CBDT under Section 119 of the IT Act seeking extension for complying with the various statutory requirements under the IT Act and such extension has been granted till October 31, 2010.

## **8.5 Non-availability of exemption certificates/tax deduction certificates**

In respect of deduction claimed under Section 10A of the IT Act for the financial year 2007 - 08, signed certificates in Form 56F, which are required to be furnished to the department at the time of the assessment, are not readily available with the Company. Non-furnishing of such signed copies may result in a disallowance in the exemption claim of the Company and a tax liability on account of the same. Based on legal advice obtained by the Company, the Company is of the view that no provision is required to be made in the financial statements at this juncture and the Company can submit the Form 56Fs, duly certified by a Chartered Accountant at the time of the assessment. Further, the Company has filed a revised return for financial year 2007-08 for which the Company has received the Form 56Fs duly certified by a Chartered Accountant.

The Company also has certain old withholding tax claims made in prior years, the certificates for which are either non-existent or the originals are not available. The Company has identified such instances to the extent of the information available with the Company and has suitably adjusted the same in the Profit and Loss account.



## **8.6 Delay in filing of tax returns in overseas jurisdictions**

There have also been cases of delay in filing of tax returns (income tax and sales tax) within the stipulated time period in some of the overseas countries primarily in the past, the potential liability on account of which is not ascertainable at this stage. The Company is of the opinion that the likely liability on account of the same is not expected to have a material impact on the financial statements.

## **8.7 Management's assessment of the statutory non compliances**

The Management believes that the various non-compliances and breaches by the Company of the statutory requirements which have been noticed/observed, duly considering the findings of the forensic investigation/other ongoing regulatory investigations have been summarised above. The Company is proposing to make an application to appropriate authorities, where applicable, for condoning these non-compliances and breaches relating to the Company. The possible impact of these non-compliances and breaches in the event the Company's condonation requests, where applicable, are not granted has not been determined or recognised in the financial statements.

# **9. Financial Reporting Process**

## **9.1 Internal control matters**

Subsequent to the letter by the erstwhile Chairman and change in control of the Management of the Company, the current Management evaluated the effectiveness of the Company's internal control over financial reporting and identified several deficiencies. Pursuant to such evaluation, the Management has concluded that as at March 31, 2009, the Company's internal control over financial reporting was not effective at a reasonable assurance level.

Some of the key findings of the internal control evaluation exercise were:

- The Company did not maintain an effective control environment at the entity level
- The risk oversight function that existed lacked enterprise-wide coordination, senior Management commitment, and an effective approach to performing entity-wide risk assessment
- Deficiencies in internal audit adversely affected the ability to identify control weaknesses
- IT general and application controls were ineffective and there was unrestricted access to critical IT systems/folders
- There were multiple non-integrated software platforms used for financial reporting and there was no process of reconciliation between various systems including payroll systems
- There were unexplained/unreconciled differences between the sub-systems / sub-ledgers and the general ledger
- The Company did not maintain an effective, timely and accurate financial closing and reporting process
- Deficiencies in the process for revenue recognition and receivables management
- Absence of effective customer confirmation, bank balance confirmation, bank reconciliation procedures by the Company during the course of the year
- Physical verification of fixed assets was not conducted at regular intervals and the fixed assets register was not updated. Capitalisation of fixed assets was done without evidence of approval by respective departments.

The control deficiencies mentioned above may not be exhaustive and are based on the assessment that the current Management was able to subsequently make regarding the control environment at the Company for the year ended and as at March 31, 2009.

The current Management, for the purpose of ensuring appropriate controls over the financial reporting process and the preparation of the financial statements, has implemented specific procedures like manual reconciliations between the various sub-systems/sub-ledgers and the general ledger, requests for various balance confirmations as part of the year end closure process, confirmation of the department wise financial details by the business leaders, preparation and review of proper bank reconciliation statements, review of the revenue recognition policies and procedures, preparation and review of schedules for key account balances, implementing proper approval mechanisms, closer monitoring of the financial closure process etc.

## **9.2 Non-availability of documents/information**

As stated in Notes 3.2 and 3.8 of Schedule 19, certain documents/information could not be either located or were unavailable to substantiate the transactions. Such instances of unavailable/non-traceable documents/information were also noted during the preparation of the financial statements by the Management. Some of these documents relate to the areas of revenue, expenses, fixed assets, current assets and current liabilities and include documents pertaining to the period prior to April 1, 2008.

In the absence of such documents/information, adjustments required in respect of the opening balances as at April 1, 2008 (including the adjustments consequent to the assessment of consistent application of accounting policies) have been carried out to the extent feasible by the Management, based on available alternate evidences/information.

## **9.3 Reconciliations**

With respect to some of the key business processes like revenues, expenses, payroll, fixed assets, etc., the Company uses various sub-systems, the output from which is being used for accounting in the financial package maintained by the Company. Within the financial package, there are also sub-ledgers and general ledger. In this respect, certain reconciliations between the sub-systems/sub-ledgers and the general ledger could not be performed completely due to non-availability of all the required information. Further, there are certain differences between the sub-systems which provide the inputs to the main sub-system, which is ultimately interfaced to the general ledger, for which complete details are not available.



Consequently, adjustments arising on account of these reconciliations have been carried out to the extent feasible by the Management, based on the available information. Based on the same, the Company has identified certain transactions amounting to Rs.27 Million (net debit) (comprising of Rs. 494 Million of gross debits and Rs. 467 Million of gross credits), for which the complete details are not available, hence, these amounts have been accounted under "Unexplained Differences Suspense Account (Net)" under Schedule 12 and the Management has provided for the unexplained net amount of Rs. 27 Million as at March 31, 2009 by debit to the Profit and Loss account on grounds of prudence. Refer Note 31.3 of Schedule 19.

#### **9.4 Confirmation of balances/other details**

As part of the year-end financial reporting and closure process, requests for confirmation of balances/other details were sent out to various parties including banks, customers, vendors, employees, landlords, others etc., for confirming the year-end balances/other details. However, confirmations could not be sent out to some of the parties consequent to non-availability of complete records/addresses relating to these parties. The responses received from the parties reflected under sundry debtors, current liabilities and loans and advances was minimal compared to the overall number of confirmations sent out in spite of follow-up by the Company.

With respect to the cases where the confirmation responses were received, reconciliations have been performed based on the information available with the Company and necessary adjustments have been carried out in the financial statements.

With respect to the cases where the balances/other details were not confirmed by the parties, necessary adjustments including provision for debtors, provision for advances, provision for expenses have been carried out in the financial statements based on the information available with the Management.

#### **9.5 Risks and uncertainties**

There are risks and uncertainties relevant to the Company's financial condition, results of operations and liquidity positions that may affect future performance.

Some of the key risks and uncertainties that might impact the Company's business are stated as under:

(i) *Risk of un-identified financial irregularities*

In view of the significant limitations in the forensic investigation as stated in Note 3.2 of Schedule 19, there is a risk that material errors, fraud and other illegal acts may exist that remain undetected.

(ii) *Risk of adverse outcome of investigation by law enforcement agencies*

Several law enforcement agencies such as CBI, SEBI, SFIO and ED in India and SEC in the USA are currently investigating the extent of financial irregularities and breach of law by the erstwhile Chairman and other former employees of the Company. Refer Note 3 of Schedule 19. The Company may be exposed to liabilities in case of any adverse outcome of these investigations.

(iii) *Risk of substantial adverse outcome of litigation and claims*

Refer Note 6 of Schedule 19 for the details of open litigation and claims including class action law suits from shareholders in the United States of America (USA) which, if proven, could give rise to substantial liabilities. The Company is defending these litigations in various courts in India and in the USA.

(iv) *Risk of non-compliances/breaches with various laws and regulation*

The financial irregularities perpetrated by the erstwhile Chairman and former employees of the Company have led to violations of several laws and regulations including the Companies Act, 1956, guidelines prescribed by SEBI, Reserve Bank of India ('RBI') regulations, etc. The Company is exposed to liabilities in cases where these laws/regulations have been violated and the Company's application for condonation, where applicable, is not granted. Refer Note 8 of Schedule 19.

#### **9.6 Management's assessment on financial reporting**

Based on the assessment of the above and the information available with the Management at this stage and the corrective actions taken, the Management believes that these financial statements, read with the notes thereon, do not contain any material misstatements/omissions, in respect of the above.

### **10. Employee stock option schemes**

#### **Company**

The ESOP guidelines issued by SEBI are applicable to options / shares granted / allotted on or after June 19, 1999. These guidelines were amended subsequently on June 30, 2003 to include the stock options granted by a Trust for the schemes administered by the Trust.

#### **10.1 Associate Stock Option Plan A (ASOP-A)**

In May 1998, the Company established its ASOP Plan which provides for the issue of 1,300,000 warrants having a face value of Rs. 10 at a price of Rs. 450 per warrant. The Company issued these warrants to an associate controlled welfare trust called the Satyam Associate Trust formed vide agreement dated August 16, 1999. At the twelfth 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 that all its employees receive the benefits of the bonus issue, the Trust was allotted the bonus shares for the warrants held by the Trust. The Trust exercised all its warrants to purchase the shares from the Company prior to stock split using the proceeds obtained from bank loans. The Trust grants warrants to eligible employees to purchase equity shares held by the Trust. 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. The warrants vested on employees needs to be exercised within 30 days from the date of vesting.





Subsequent to the bonus issues and share split, each warrant entitles the holder to purchase 20 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. As at March 31, 2009, 6,500,000 equity shares of Rs. 2 each have been allotted to the Satyam Associate Trust under ASOP-A.

Till March 31, 2008, the Company was of the view that the employee stock options granted under the ASOP A plan administered by the Trust is the Scheme which has been established prior to the SEBI guidelines on the stock options and hence, no cost relating to the grant of options need to be recorded under this scheme. During the current year ended March 31, 2009, based on a legal opinion obtained, the Company became aware that the SEBI guidelines are applicable to the employee stock options granted under this plan in respect of accounting periods commencing on or after June 30, 2003. Consequently, the Company has recorded a cumulative amount of Rs. 270 Million towards the cost of stock options for the period from June 30, 2003 to March 31, 2009 issued to employees under the ASOP-A plan. Out of this, an amount of Rs. 186 Million relates to the cost for the period prior to April 1, 2008 which has been charged to the Profit and Loss account as prior period adjustments. Refer Note 3.3(iii) of Schedule 19.

As at March 31, 2009, 10,815 options (net of cancellations) for a total number of 216,300 equity shares of Rs. 2 each were outstanding. Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31, 2009	
	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	2,600	1,511
Granted	16,150	1,569
Exercised	(6,925)	(1,443)
Forfeited	(1,010)	(1,666)
Lapsed	-	-
At the end of the year	10,815	1,627

For options outstanding at the end of the current year, the exercise price was in the range of Rs. 1,409 to Rs. 1,701 and the weighted average remaining contractual life is 0.57 years.

The weighted average fair value of options granted during the year was Rs. 6,440.

For the options that were exercised during the year, the weighted average share price on the date of exercise was Rs. 388.59.

## 10.2 Associate Stock Option Plan (ASOP-B)

The Company has established a scheme 'Associate Stock Option Plan – B' (ASOP - B) for which 58,146,872 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 equity shares. As at March 31, 2009, 28,735,133 equity shares of Rs. 2 each have been allotted to the associates under ASOP B.

Accordingly, options (net of cancellations) for a total number of 12,062,094 (as at March 31, 2008 – 15,641,127 "As Published" (Refer Note 34 of Schedule 19)) equity shares of Rs. 2 each were outstanding as at March 31, 2009.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,		
	2009		2008 "As Published" (Refer Note 34 of Schedule 19)
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options
At the beginning of the year	15,641,127	167.21	19,976,210
Granted	-	-	-
Exercised	(2,953,573)	170.72	(2,866,407)
Forfeited	(568,479)	183.16	(1,424,297)
Lapsed	(56,981)	176.45	(44,379)
At the end of the year	12,062,094	166.37	15,641,127

For options outstanding at the end of the current year, the exercise price was in the range of Rs. 77 - Rs. 328 and the weighted average remaining contractual life is 3.04 years.

There were no options granted during the current year.

For the options that were exercised during the current year, the weighted average share price on the date of exercise was Rs. 436.

### 10.3 Associate Stock Option Plan (ASOP - 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 in May 2000. Under the scheme 3,456,383 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 the grant converted into Indian Rupees at the rate of exchange prevalent on the day of the 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). As at March 31, 2009, 1,246,955 ADS representing 2,493,910 equity shares of Rs. 2 each have been allotted to the associates under ASOP ADS.

Accordingly, options (net of cancellation) for a total number of 1,195,642 (as at March 31, 2008 – 1,283,118 "As Published" (Refer Note 34 of Schedule 19)) ADS representing 2,391,284 (as at March 31, 2008 – 2,566,236 "As Published" (Refer Note 34 of Schedule 19)) equity shares of Rs. 2 each were outstanding as at March 31, 2009.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,		
	2009		2008 "As Published" (Refer Note 34 of Schedule 19)
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options
At the beginning of the year	1,283,118	429.20	1,461,064
Granted	-	-	-
Exercised	(83,402)	279.48	(140,494)
Forfeited	(2,796)	231.65	(36,712)
Lapsed	(1,278)	240.23	(740)
At the end of the year	1,195,642	440.08	1,283,118

For options outstanding at the end of the current year, the exercise price is in the range of Rs. 151 - Rs. 632 and the weighted average remaining contractual life is 2.28 years.

There were no options granted during the current year.

For the options that were exercised during the current year, the weighted average unit price on the date of exercise was Rs. 1,005.

### 10.4 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 in May 2000. 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. As at March 31, 2009, 393,637 equity shares of Rs. 2 each have been allotted to the associates under ASOP - RSUs.

Accordingly, options (net of cancellations) for a total number of 2,767,973 (as at March 31, 2008 – 3,150,202 "As Published" (Refer Note 34 of Schedule 19)) ASOP-RSUs equity shares of Rs. 2 each were outstanding as at March 31, 2009.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,		
	2009		2008 "As Published" (Refer Note 34 of Schedule 19)
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options
At the beginning of the year	3,150,202	2.00	3,293,140
Granted	61,500	2.00	159,000
Exercised	(273,188)	2.00	(120,449)
Forfeited	(170,541)	2.00	(181,489)
Lapsed	-	-	-
At the end of the year	2,767,973	2.00	3,150,202

For options outstanding at the end of the current year, the exercise price is Rs. 2 and the weighted average remaining contractual life is 5.63 years.

The weighted average fair value of options granted during the current year was Rs. 444.

For the options that were exercised during the current year, the weighted average share price on the date of exercise was Rs. 423.



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

SCSL 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 in May 2000. 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. Each ADS represents two equity shares of Rs. 2 each fully paid up. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the options upon vesting is five years from the date of vesting. As at March 31, 2009, 18,687 RSUs (ADS) representing 37,374 equity shares of Rs. 2 each have been allotted to the associates under ASOP – RSUs (ADS).

Accordingly, options (net of cancellations) for a total number of 495,175 (as at March 31, 2008 – 249,715 "As published" (Refer Note 34 of Schedule 19)) RSUs ADS representing 990,350 (as at March 31, 2008 – 499,430 "As Published" (Refer Note 34 of Schedule 19)) equity shares of Rs. 2 each were outstanding as at March 31, 2009.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,		
	2009		2008 "As Published" (Refer Note 34 of Schedule 19)
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options
At the beginning of the year	249,715	4.00	236,620
Granted	282,263	4.00	43,500
Exercised	(10,967)	4.00	(7,720)
Forfeited	(25,836)	4.00	(22,685)
Lapsed	-	-	-
At the end of the year	495,175	4.00	249,715

For options outstanding at the end of the current year, the exercise price was Rs. 4 and the weighted average remaining contractual life is 5.91 years.

The weighted average fair value of options granted during the current year was Rs. 1,027.

For the options that were exercised during the current year, the weighted average unit price on the date of exercise was Rs. 1,020.

The following assumptions were used for calculation of fair value of grants:

#### Assumptions for 2008-09:

##### ASOP A plan:

Particulars	For the year ended March 31, 2009
Exercise price	Rs. 1,409 - Rs. 1,701
Grant date share price	Rs. 398.90
Dividend yield (%)	0.78% - 0.68%
Expected volatility (%)	40.51% - 55.57%
Risk-free interest rate (%)	8.12%
Expected term (in years)	0.04 - 2.04 years

##### ASOP RSU plan:

Particulars	For the year ended March 31, 2009
Exercise price	Rs. 2
Grant date share price	Rs. 459
Dividend yield (%)	0.87% - 1.10%
Expected volatility (%)	37.17% - 43.57%
Risk-free interest rate (%)	8.12%
Expected term (in years)	3.5-6.5 years

**ASOP RSU-ADS plan:**

Particulars	For the year ended March 31, 2009
Exercise price	Rs. 4
Grant date share price	Rs. 1,012 - Rs. 1,063
Dividend yield (%)	0.87% - 1.10%
Expected volatility (%)	39.26% - 49.17%
Risk-free interest rate (%)	8.12%
Expected term (in years)	3.5 - 6.5 years

**Assumptions for 2007-08 ("As Published" (Refer Note 34 of Schedule 19)):**

The following were the assumptions used in calculation of fair value of grants during 2007-2008:

Particulars	
Dividend yield (%)	0.78%
Expected volatility (%)	56.64%
Risk-free interest rate (%)	8%
Expected term (in years)	2.51

**Satyam BPO**

In April 2004, the subsidiary established its Employee Stock Option Plan (ESOP) to be issued to its employees. The exercise price is equal to the fair market value on the date of the grant. The grants 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 the remaining 33.34% in the fourth year from the date of the grant. Upon granting, they are subject to a lock in period of one year.

As at March 31, 2009, 639,750 Grants, net of cancellation, at weighted average exercise price of Rs. 80 being the fair market value per share were outstanding.

Changes in number of options outstanding during the year ended March 31, 2009 are as follows:

Particulars	For the year ended March 31, 2009	For the year ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
At the beginning of the year	639,750	998,702
Granted	-	-
Exercised	-	358,952
Cancelled	-	-
At the end of the year	639,750	639,750

**11. Share application money pending allotment**

The amount received from the associates on exercise of stock options is accounted as Share Application Money Pending Allotment. Upon allotment, the amount received corresponding to the shares allotted against the options exercised is transferred to Share Capital and Securities Premium Account (if applicable) and Fringe Benefit Tax (if applicable) recovered from associates. An amount of Rs. 304,316 is outstanding as at March 31, 2009 (as at March 31, 2008 - Rs. 18 Million "As Published" (Refer Note 34 of Schedule 19)) representing amounts received from associates of the Company on exercise of stock options towards face value, securities premium and Fringe Benefit Tax recovered by the Company from the associates, pending allotment of shares.

**12. Accounting for fixed assets/depreciation – the Company**
**12.1 Prior period adjustments relating to fixed assets and depreciation**

There were certain errors in capitalisation of fixed assets and computation of depreciation in the past. Accordingly, during the current year, the Company has rectified the accounting for the capitalisation of such fixed assets acquired in prior years and has also re-computed the depreciation on the basis of the information available with the Management. As a result, assets amounting to Rs. 3,556 Million have been capitalised and disclosed as part of adjustments to the gross block during the current year in Schedule 4. Further, depreciation to the extent of Rs. 678 Million has been provided during the current year relating to the prior years and disclosed as part of prior period adjustments (Refer Note 3.3(iii) of Schedule 19).

**12.2 Additional/accelerated depreciation**

The Management has carried out a detailed review of certain fixed assets as per the fixed assets register and after duly considering the usability and technical obsolescence of the same, has provided for additional/accelerated depreciation to the extent of Rs. 47 Million in the financial statements.



### 12.3 Land

- (i) In respect of its land at Hyderabad, the Company entered into an agreement with the Government of Andhra Pradesh (GoAP) for the purchase of land. The agreement is covered under the Information and Communications Technology (ICT) Policy 2002-2005 of the Information Technology & Communications department of GoAP. Pursuant to the same, the Company is eligible for the incentives, concessions, privileges and amenities applicable to Mega Projects in terms of the said policy and also certain other incentives as specified in the agreement entered into with GoAP.

As per memorandum of understanding (MOU) & other agreements, entered into by the Company, the Company has acquired the land from the GoAP. The Company has accounted for the eligible grant amounting to Rs. 96 Million towards the basic cost of the land on acquisition which was adjusted to the cost of the land as per the books of account in accordance with the accounting policy followed by the Company. In order to avail the said rebate, the Company has furnished bank guarantees aggregating Rs. 96 Million which are outstanding as at March 31, 2009. There are no other outstanding obligations in respect of the said MOU as at March 31, 2009.

- (ii) The Company had also purchased land from Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) in Vishakhapatnam for a total cost of Rs. 50 Million. There are certain disputes with respect to the land purchased by the Company in Kapulupadda village, Vishakhapatnam admeasuring about 50 acres wherein the above land has been earmarked to the Indian Navy. GoAP vide its G.O. No. 1439 dated December 4, 2008, has ordered the District Collector, Vishakhapatnam to allot alternate land, by withdrawing the land to an extent of 25 acres from the Police Department and also to an extent of 25 acres from the Vishakhapatnam Urban Development Authority. The Company has requested for obtaining the allotment letters. The Management is confident that the said lands will be allotted in favour of the Company and, accordingly, the amount of Rs. 50 Million is included in Capital Advances (under Capital Work in Progress) as at March 31, 2009.

### 12.4 Accounting for vehicle loans

The Company has an Associate Car Purchase scheme, as per which the Company purchases cars which are provided to the associates for their use. The Company finances the purchase of the cars by obtaining loans from various banks / others and the equated monthly installments are reduced from the gross salary of the associates. On completion of the term of the loan, the cars are transferred to the associates. As at March 31, 2009, the gross original cost and the net book value of the vehicles provided to the associates under the scheme aggregates to Rs. 654 Million and Rs. 382 Million, respectively.

Though the vehicles provided to the associates by the Company need to be accounted for as a finance lease in accordance with Accounting Standard 19 (AS 19) – Leases, the Company could not carry out the required adjustments in the absence of all the required information to give effect to the same in the financial statements in respect of the current and prior periods. The Management believes that, taking into account the overall results and value of the fixed assets, the impact due to the non-application of AS 19 for such transactions would not be material to the financial statements.

### 12.5 Termination of asset purchase agreement

On August 6, 2008, the Company had entered into an Asset Purchase Agreement ('APA') and revenue agreement with one of its customers. The acquisition was for a total consideration of USD 60 Million (equivalent to Rs. 2,520 Million) comprising initial payment of USD 10 Million (equivalent to Rs. 420 Million) and USD 50 Million (equivalent to Rs. 2,100 Million) in the form of promissory notes. The promissory notes were payable as follows:

- i. USD 10 Million (equivalent to Rs. 420 Million) on October 4, 2008;
- ii. USD 20 Million (equivalent to Rs. 840 Million) on December 20, 2008 and
- iii. USD 20 Million (equivalent to Rs. 840 Million) on the expiry of two years of the asset purchase agreement.

On November 14, 2008, the Company paid USD 10 Million (equivalent to Rs. 420 Million) which was originally due on October 4, 2008.

On January 15 and 22, 2009, consequent to the letter by the erstwhile Chairman, the customer served a notice on the Company terminating the APA and the revenue agreement with the customer and demanded the return of all the intellectual properties conveyed to the Company under the APA as well the immediate payment of the balance unpaid amount of USD 40 Million (equivalent to Rs. 1,680 Million) due under the promissory note.

In June 2009, the Company and the customer entered into a formal agreement to terminate the APA. Based on the termination agreement, the Company is not liable to make the balance payment of USD 40 Million (equivalent to Rs. 1,680 Million) and is required to return all the assets received under the APA. The amount already paid by the Company of USD 20 Million (equivalent to Rs. 840 Million) to the customer has been forfeited.

Pursuant to the above, necessary adjustments have been made in the financial statements based on the termination notice issued by the customer.

### 12.6 Status of infrastructure projects

The Company had commenced its infrastructure projects in various places like Hi-Tech city (SEZ Unit), Chennai and STC Properties, with an initial budget estimates of Rs. 11,887 Million and has incurred Rs. 3,130 Million as at March 31, 2009 towards the same. Due to global recession and economic slowdown, these projects were put on hold during the period October/November 2008. Subsequent to the year end, the Company has resumed certain projects (Hi-Tech City – December 2009/January 2010 & Chennai – March 2010) with modifications to the original plans and the Company is in the process of resuming the other projects. Taking into account the future plans, the Management is of the opinion that there are no indications of impairment with respect to these projects and, hence, no provision/adjustment is required to be made in the financial statements.

### 12.7 Accounting for Enterprise Resource Planning (ERP) software

The Company entered into an agreement for purchase of an ERP software on March 31, 2008 aggregating Rs. 451 Million, which was not accounted as at March 31, 2008. During the current year, the Company has accounted for this amount of Rs. 451 Million under Capital work-in-progress pending use and installation of the software and has also created an impairment provision as at March 31, 2009 since the Management has not finalised its plan for implementation of the ERP software. Further, the AMC charges amounting to Rs. 54 Million claimed by the ERP vendor pursuant to the above purchase have not been accounted by the Company since the software has not been installed/put to use and no maintenance service has been rendered.

### 12.8 Physical verification of fixed assets

The Management has not conducted a physical verification of fixed assets of the Company during the year ended March 31, 2009. Subsequent to the year end, the Company has conducted a physical verification of a substantial part of its fixed assets using the services of an external consultant, the net impact of which is Rs. 2 Million to be written off in the Profit and Loss account. In the absence of adequate/complete information, the Company is unable to roll back the differences between the books of account and the data as per the physical verification to March 31, 2009, and, hence, no adjustments for such discrepancies have been made in the financial statements.

## 13. Subsidiaries

**13.1** The Company had in the previous year ended March 31, 2008, acquired 50% of equity in C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) ("CA Satyam") for a consideration of Rs 72 Million. Pursuant to the Share Purchase Agreement dated April 30, 2008 entered into by the Company with Computer Associate Satyam JV Corporation, United States, the Company acquired the balance 50% equity held by Computer Associate Satyam JV Corporation in CA Satyam for a total consideration of Rs. 56 Million and, hence, CA Satyam became a subsidiary of the Company with effect from September 25, 2008. The total consideration was paid in equal installments of Rs. 28 Million each on September 25, 2008 and December 15, 2008. Pursuant to the acquisition of the shares by the Company, CA Satyam has been renamed as C&S System Technology Private Limited.

**13.2** On October 23, 2007, the Company announced its intention to acquire 100% of the shares of Nitor Global Solutions Ltd, United Kingdom ("Nitor"), a company specialised in the Infrastructure Management Services (IMS) space. The total consideration for this acquisition is approximately GBP 2.76 Million (equivalent to Rs. 224 Million) including a performance-based payment of up to GBP 1.30 Million (equivalent to Rs. 102 Million) over two years conditional upon specified revenue and profit targets being met. The Company paid an initial consideration of GBP 1.46 Million (equivalent to Rs. 122 Million) on January 4, 2008. During the year ended March 31, 2009, the Company paid a further consideration of GBP 0.57 Million (equivalent to Rs. 46 Million) towards R&D earn out comprising of GBP 0.07 Million (equivalent to Rs. 6 Million) on August 14, 2008, first year earn out of GBP 0.30 Million (equivalent to Rs 22 Million) on December 10, 2008 and a final payment of GBP 0.20 Million (equivalent to Rs.15 Million) on March 26, 2009. With these payments, the Company has fulfilled all obligations towards this acquisition agreement.

**13.3** 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 GBP 7.05 Million (equivalent to Rs. 624 Million) (inclusive of acquisition costs) and a deferred consideration of GBP 1.75 Million (equivalent to Rs. 136 Million). The Company was also required to pay a maximum earn out consideration aggregating GBP 2.25 Million (equivalent to Rs. 184 Million) based on achievement of targeted revenues and profits and Employee Benefit Trust (EBT) contribution of GBP 0.9 Million (equivalent to Rs. 80 Million).

On June 29, 2006, the Company acquired the remaining 25% shareholding for a consideration of GBP 3.26 Million (equivalent to Rs. 275 Million) and a maximum earn-out consideration of GBP 3.54 Million (equivalent to Rs. 289 Million) based on achievement of targeted revenues and profits and a maximum EBT contribution of GBP 1.80 Million (equivalent to Rs. 147 Million) contingent on Citisoft achieving certain revenue and profit performance targets. The Company paid GBP 0.08 Million (equivalent to Rs. 7 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 GBP 1.74 Million (equivalent to Rs. 143 Million) and payment towards EBT of GBP 0.08 Million (equivalent to Rs. 7 Million) was 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 recognised as cost of investment by the Company.

During the year, the Company has adjusted the cost of investment in Citisoft for an amount of Rs. 15 Million on account of incorrect application of exchange rate for accounting the acquisition in the prior years.

**13.4** During October 2005, the Company acquired Knowledge Dynamics Pte Ltd ("KDPL Singapore"), 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, Singapore for a consideration of SGD 5.52 Million (equivalent to Rs. 146 Million) (inclusive of acquisition costs) and a maximum earn out consideration of SGD 1.84 Million (equivalent to Rs 49 Million) 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, Singapore 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 SGD 1.11 Million (equivalent to Rs. 30 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 SGD 0.37 Million (equivalent to Rs. 10 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 SGD 0.74 Million (equivalent to Rs. 21 Million) on or before May 15, 2008. The actual amount of earn-out payment made during 2008-09 based on the revenue of KDPL, Singapore for the year 2007-08 was SGD 0.34 Million (equivalent to Rs. 11 Million) which has been added to the cost of investment during the current year.

- 13.5** On January 21, 2008, the Company entered into a definitive purchase agreement to acquire 100% of the membership interests of Bridge Strategy Group, LLC ("Bridge"), a Chicago based strategy and general management consulting firm, for total cash consideration of up to USD 35 Million (equivalent to Rs. 1,489 Million) to be paid over 2.5 years, comprising upfront consideration of USD 19 Million (equivalent to Rs. 761 Million) payable on consummation of the transaction, deferred non-contingent consideration of USD 8 Million (equivalent to Rs 321 Million) payable in August 2009 and contingent consideration of USD 8 Million (equivalent to Rs 407 Million) payable in October 2010. The contingent consideration is payable to the selling shareholders on satisfaction of conditions prescribed in the Membership Interest Purchase Agreement, entered into with the selling shareholders.

The transaction was consummated on April 4, 2008 and the upfront consideration of USD 19 Million (equivalent to Rs 761 Million) was paid. Further, the deferred non-contingent consideration mentioned above of USD 8 Million (equivalent to Rs 321 Million) was paid to the selling shareholders subsequent to the year end in August 2009. As at March 31, 2009, the Company has accounted for an amount of USD 27 Million (equivalent to Rs. 1,082 Million), representing the upfront consideration and the deferred non-contingent consideration, as cost of investment in the books of account.

On February 12, 2009, the key executives of Bridge served a notice on the Company that they had "Good Reason", as defined in the purchase agreement and each of their employment agreements, to terminate their employment with Bridge and retain all rights to receive payment of the then unpaid portion of the purchase consideration.

#### RSUs

Pursuant to employment agreements entered into by Bridge with each of the key executives of Bridge at the closing of the acquisition, in July 2008 and July 2009, the Company issued a total number of 235,121 RSUs to these key executives having an aggregate value at the time of issuance of USD 6 Million, and subject to vesting terms as set forth in the agreements entered into with each such key executive.

In the notice served by the key executives of Bridge on February 12, 2009, the key executives demanded cash payment of USD 6 Million in lieu of RSUs issued to them.

Currently, the Company is under discussion with the key executives of Bridge for an amicable settlement.

- 13.6** Nitor Global Solutions Limited ("Nitor"), one of the subsidiaries of the Company, entered into an agreement dated April 21, 2008 with the shareholders of S&V Management Consultant NV, Belgium ("S&V") for the purchase of 100% of the shares held by them in S&V for a total consideration of EUR 22.50 Million, comprising of initial consideration, deferred payment and conditional payments over a period of 3 years from the date of the agreement.

On December 11, 2008, the Company invested an amount of Rs. 1 Million in a new subsidiary incorporated in Belgium, namely, Satyam Computer Services Belgium BVBA ("Satyam Belgium"), primarily for the purpose of acquiring the shares in S&V as mentioned below.

Pursuant to an agreement dated October 9, 2008 between Nitor, the selling shareholders of S&V and Satyam Belgium, all the rights and obligations of Nitor have been transferred to Satyam Belgium.

#### 13.7 Impairment of Goodwill

During the year ended March 31, 2009, with the assistance of independent professional agencies, the Company has assessed the operations of the subsidiaries, including the future projections, to identify indications of impairment in the amount of goodwill recorded in the books of account and, accordingly, has made the following provisions:

<b>(Rs. in Million)</b>	
<b>Name of the Subsidiary</b>	<b>Amount</b>
Satyam BPO Limited	1,988
Knowledge Dynamics Pte. Ltd.	171
Nitor Global Solutions Limited	126
Bridge Strategy Group LLC	1,039
Satyam Technologies Inc	141
Citisoft Plc	613
Satyam Computer Services Belgium, BVBA	1,053
<b>Total</b>	<b>5,131</b>



## **14. Accounting for revenue and debtors – the Company**

### **14.1 Sundry debtors**

- (i) Sundry Debtors as at March 31, 2009 is net of unapplied receipts amounting to Rs. 6,956 Million. Based on invoice wise details for the collections amounting to Rs. 6,000 Million received from the customers subsequent to the year end, the Company has adjusted the collections against the invoices. In respect of the balance amount of Rs. 956 Million, the adjustment has been done based on the Management's assessment.
- (ii) Classification of Sundry Debtors as debts outstanding for a period exceeding six months/others has been done by the Company based on the information available with the Management duly considering the date of the invoices/outstanding amounts as per the books of account and after adjusting for the unapplied receipts as mentioned above.
- (iii) The Management has made an assessment of the recoverability of debts outstanding as at March 31, 2009. Based on such assessment, provision for doubtful debts aggregating Rs. 4,046 Million has been made in the books of account as at March 31, 2009 resulting in a charge of Rs. 2,626 Million to the Profit and Loss account. Such provision has been made by the Company primarily based on the Management's assessment regarding the realisability of the outstanding amounts, adjusted for the unapplied receipts as mentioned above, duly taking into account the subsequent collections.

### **14.2 Accounting for contracts under percentage completion method**

Revenue from fixed-price engagements require appropriate estimation of the eligible costs which include salaries and related expenses of technical employees, related communication expenses, travel costs, etc. Revenue and the related costs for these projects are recognised on the percentage of completion method as per the accounting policy of the Company, 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.

The Company has noted various discrepancies in the application of the percentage of completion method in the prior years. Further, the Company does not possess all the required documentation to support the initial estimates used/revision in estimates which would have formed the original basis of application of the percentage completion method for the current year. Hence, the Company has accounted for the revenue from fixed price engagements for the year ended March 31, 2009 using significant Management estimates in respect of costs and hours expected to be incurred based on current information available, subsequent developments etc. in respect of such contracts to arrive at the percentage of completion as at the closing Balance Sheet date of March 31, 2009 as well as at the opening balance date as at April 1, 2008. In the opinion of the Management, the use of such estimates/ subsequent information should not result in a material adjustment to the financial statements of the Company.

### **14.3 Unbilled revenue**

As per the practice followed by the Company, the Company accounts for unbilled revenue based on all services rendered up to the Balance Sheet date in advance of billing as per the terms of the Contract. The Management has analysed all such services rendered during the year remaining unbilled as at the Balance Sheet date as well as those services relating to the current year /prior period billed subsequently to ensure proper cut-off and the required adjustments have been carried out in the financial statements of the Company based on the available information.

The Management has also identified cases where there are losses expected in the execution of certain projects of the Company. Losses arising on account of such contracts have been estimated based on a detailed analysis done by the Management taking into account the information available with the Company and the future obligations of the Company.

Accordingly, a provision for such contract losses to the extent of Rs. 443 Million has been made as at March 31, 2009.

Consequently, unbilled revenue of Rs. 2,782 Million (net of provision for anticipated losses) has been recognised as at March 31, 2009.

Further, a total amount of Rs.3,048 Million of revenue relating to prior years have been accounted as revenue during the year ended March 31, 2009, which has been disclosed under prior period adjustments in the Profit and Loss account. Refer Note 3.3(iii) of Schedule 19.

### **14.4 Accounting for multiple deliverables and obligations of the Company**

Some of the revenue contracts of the Company contain various clauses as per which more than one deliverable is to be provided to the customers. For example, the contracts provide for deliverables like certain special benefits, supply of hardware equipments/software licenses etc in addition to the services to be rendered.

Similarly, with respect to the services rendered, the Company has certain obligations towards the customers as per the terms of the contracts such as right of refunds, discounts, service credits etc.

The Company has accounted for the above referred multiple elements in the revenue contracts based on and to the extent of the information available/compiled by the Management.

### **14.5 Accounting for hardware equipment and other items**

As mentioned in Note 14.4 of Schedule 19, some of the contracts with the customers involve the supply of hardware equipments and other items by the Company. The Company has accounted for the purchase of hardware equipment and other items under Cost of Hardware Equipment and Other Items Sold and has accounted for the sale of such items under Sale of Hardware Equipment and Other Items. Unsold items of hardware equipments and other items are disclosed as Inventory as at March 31, 2009.

The Company has not maintained proper records of its inventories during the year though the required adjustments to account for the inventory in the books of account were made based on the available information with the Management as at the year end.



#### 14.6 Post contract services/warranties

As per the terms of the contracts, the Company provides post contract services/warranty support to some of its customers. The Company did not have adequate documentation in respect of historical information on the amount incurred by the Company towards such costs incurred. In the absence of the required information, the Company has accounted for the provision for warranty/post contract support on the basis of the information available with the Management duly taking into account the current technical estimates. Refer Note 31.1 of Schedule 19.

#### 14.7 Unearned revenue adjustments

An amount of Rs. 941 Million (including Rs. 240 Million relating to prior years – Refer Note 3.3(iii) of Schedule 19) originally accounted as part of unearned revenue has been transferred to revenue during the year ended March 31, 2009 based on Management's assessment, in the absence of all the required documentation.

#### 14.8 Accounting for credit notes issued to customers

As per the practice followed by the Company, credit notes are issued to customers on account of double count of efforts/incorrect rates used, penalties, etc., in respect of invoices raised earlier, as and when such instances are noted/identified. The Management has analysed all such credit notes raised during the year as well as those issued subsequently to ensure proper cut-off and the required adjustments have been carried out in the financial statements.

In this respect, credit notes for a total amount of Rs.1,680 Million relating to prior years have been adjusted against revenue during the year ended March 31, 2009, which has been disclosed under prior period adjustments in the Profit and Loss account. Refer Note 3.3(iii) of Schedule 19.

#### 14.9 Reimbursements/recoveries from customers

As per the practice followed by the Company, reimbursements/recovery received/receivable from customers are accounted for based on invoices raised on customers. As per the system followed by the Company, the expenses are charged off to the Profit and Loss account as and when incurred and the reimbursements/recoveries are credited to the Profit and Loss account as and when invoiced on the customers.

The Management has carried out an analysis of all such reimbursement/recoveries of expenses received/receivable during the current year and the required adjustments for the reimbursements/recoveries from customers have been carried out in the financial statements based on the information available.

#### 14.10 Accounting for a specific loss contract

The Company entered into a Master Service Agreement with one of the customers for providing services relating to Core Banking Solutions. As per the agreement, the Company is also required to supply the customer with various hardware equipments and software components, networking equipments, etc. The Company had incurred an amount of Rs.167 Million as at March 31, 2008 towards purchase of hardware equipments, software licenses and network equipments, etc., and had accounted for the same as Reimbursable Expenses under Current Assets. As at March 31, 2009, the Company has incurred a net cumulative amount of Rs.470 Million towards the purchase of hardware equipments, software licenses and network equipments, etc. for this contract.

Subsequent to the year end, the Company has entered into a novation agreement with the customer as per which it was decided to handover all the hardware equipments, software licenses and network equipments, etc. procured by the Company for this project and all liabilities/claims whatsoever from either party would stand extinguished pursuant to the same. Based on Management's assessment, a loss towards the contract has been considered to the extent of Rs. 611 Million as at March 31, 2009 representing Rs. 141 Million towards unbilled efforts accounted and Rs. 470 Million towards the Inventory of hardware equipments, software licenses and network equipments etc. Out of the total loss amount, Rs. 470 Million has been accounted for by way of adjustment of Net Realisable Value (NRV) of Inventories in the books as at March 31, 2009 and the balance amount of Rs. 141 Million has been accounted for as an allowance towards unbilled revenue as at March 31, 2009.

#### 15. Liabilities/provisions no longer required written back

During the current year, the Management has written back excess liabilities and provisions amounting to Rs. 248 Million made in the earlier years which, in the opinion of the Management, are no longer required to be carried in the books of account as at March 31, 2009. The details of the amounts written back during the year are as under:

Particulars	(Rs. in Million)
	Year ended March 31, 2009
Reversal of Excess Provision for Sales Commission	173
Reversal of Excess Provision for Personnel Costs	46
Others	29
<b>Total</b>	<b>248</b>

#### 16. Accounting for transactions with an international sports federation

The Company had entered into an agreement with an international sports federation (the federation) in the financial year 2007-08 pursuant to which the Company has been granted various sponsorship rights in respect of the events conducted by the federation to be held in 2009, 2010, 2013 and 2014. As per the agreement, the Company also renders various IT related services to the federation towards its events in its capacity as the "Official IT Service Provider" to the federation.

Based on the terms of the agreement, the Company is required to discharge the consideration for sponsorship rights partly in the form of cash and partly in the form of services in lieu of cash ("Value in Kind"). The Management believes that the sponsorship payments are in the nature of an intangible item since these are predominantly for the purpose of advertising and promotion and, hence, the same should be expensed as incurred in the respective years. Accordingly, the sponsorship charges amounting to Rs. 102 Million incurred during the current year has been expensed off to the Profit and Loss account under the head Marketing Expense and the amount of sponsorship charges relating to prior years amounting to Rs. 40 Million has been accounted under prior period adjustments in the Profit and Loss account. Refer Note 3.3(iii) of Schedule 19.

Further, as at March 31, 2009 the Company has accounted for an amount of Rs.404 Million (both invoiced and unbilled revenue) (including prior period adjustments amounting to Rs. 19 Million) towards the services rendered by the Company to the federation and, in accordance with the agreement, an equivalent amount of Rs. 404 Million has been accounted as provision for the Value in Kind sponsorship charges (including prior period adjustments amounting to Rs. 103 Million). Refer Note 3.3(iii) of Schedule 19.

As per the arrangement, the Company will be paying this amount of Value in Kind sponsorship charges to the federation on receipt of the invoice from them. Subsequent to the same, the federation will be paying back to the Company the amount of services invoiced by the Company. As at March 31, 2009 the amount of services rendered (Rs. 404 Million) and the corresponding amount of provision for Value in Kind sponsorship charges (Rs. 404 Million) has been disclosed on a gross basis under the heads Income from Operations/Prior Period Adjustments and Marketing Expenses/Prior Period Adjustments in the Profit and Loss account with a corresponding amount accounted in Sundry Debtors and Sundry Creditors, respectively.

Subsequent to the year end, the Company has entered into a Memorandum of Understanding with the federation as per which the contractual obligations relating to the 2013 and 2014 events stand cancelled.

#### 17. Residual dividend

During the year ended March 31, 2008, the Company had accounted for the proposed dividend and dividend tax thereon for the number of equity shares existing as on the records of the Company as at April 10, 2008. The dividend amounting to Rs. 7 Million and the related dividend tax amounting to Rs. 1 Million for the additional number of equity shares issued by the Company, pursuant to the ASOP Schemes, from April 11 to August 26, 2008, being the dividend record date for the final dividend for the year 2007-2008, has been accounted in the Profit and Loss account.

#### 18. Consolidation Adjustment Account (Net)

As at March 31, 2008, the Company's consolidated financial statements contained amounts for which complete details were not available. In the absence of full details relating to the same, consolidation was carried out based on the audited financial statements of the Company and its subsidiaries for the year ended March 31, 2009 and adjustment entries as detailed below have been recorded to reflect the position of the group as at March 31, 2009:

Particulars	Rs. in Million
Transfer from Capital Reserve	7,685
Transfer from General Reserve	42
Transfer to Securities Premium Account	(109)
Transfer to Accumulated Profit and Loss account	(7,552)
Others	(66)
<b>Total (Net)</b>	<b>-</b>

#### 19. Satyam BPO

##### 19.1 Investigation by Regulatory Authorities:

Pursuant to the matters stated in Note 3 of Schedule 19, the SFIO had conducted an inspection and issued notices to the subsidiary calling for certain information u/s 209A of the Companies Act, 1956 on January 14, 2009. The subsidiary has replied to the said notice on January 16, 2009.

The ED had also conducted an inspection and issued a notice to the subsidiary calling for certain information on February 10, 2009. The subsidiary has replied to the said February 11, 2009.

Subsequently, there is no further communication/enquiry from the above regulatory authorities. While the Management does not foresee any impact on the financial statements on account of the above at this juncture, addition adjustment, if any, as a result of such enquiry shall be adjusted upon completion of such enquiry.

##### 19.2 Provision for doubtful debts and advances:

During the year, after making a detailed assessment of the dues receivable by the subsidiary, the following provisions were made:

- (a) Provision made for Rs. 988 Million in respect of debts outstanding as at March 31, 2009 in view of the inadequacy of evidence to demonstrate its recoverability.
- (b) The subsidiary has made a provision for Rs. 68 Million towards advances as at March 31, 2009.

The subsidiary has made a provision for Rs. 5 Million towards lease rental deposit as at March 31, 2009.



**19.3** Personnel costs include incentives paid to former Chief Executive Officer (CEO) and Chief Financial Officer (CFO) during the months of September 2008 and October 2008, respectively, after obtaining the requisite recommendation by remuneration committee of Board of Directors of the subsidiary and approvals of the Board of Directors of the subsidiary.

**20. Satyam Venture Engineering Services**

i. Accounting for sales commission

As stated in Note 6.11 of Schedule 19, SVES was incorporated as a joint venture between the Company and VGE. In this regard, the Company and VGE entered into a shareholder's agreement which was incorporated as part of the Articles of Association of SVES. SVES further entered into two separate agreements with the Company and VGE setting out the terms and conditions relating to the payment of sales commission which is inline with clause 6.06 of the shareholder's agreement.

Pending the final outcome of the dispute between the Company and VGE as stated in Note 6.11 of Schedule 19, SVES has continued to accrue for the liability towards sales commission payable to VGE, which is disclosed under Sundry Creditors in the financial statements. Adjustments, if any, arising out of the dispute between the promoters will be made on final disposal of the legal proceedings.

ii. Investigation by authorities

As stated in Note 3 of Schedule 19, the affairs of the Company are being investigated by various agencies. In this regard, during the course of investigation on the Company, some authorities had visited SVES and have taken copies/extracts of various records, documents and other information. As per the forensic investigators, there is no impact on account of such investigations on the financial results of SVES and the consolidated financial statements.

**21. Information on Joint Ventures**

i. C&S Satyam

During the financial year 2006-2007, C&S System exited from the Gujarat and Maharashtra VRC Projects on October 28, 2006 by surrendering back the rights acquired from Shonkh Technologies International Limited (Shonkh) on certain terms and conditions agreed with them. C&S System has recovered the net book value of the fixed assets (Rs. 10 Million), deferred revenue and other such expenses incurred on VRC Projects (Rs. 32 Million) and recovery of advances due from Shonkh (Rs. 41 Million) and as such there is no impact on the Profit and Loss account of the past years. Further, under the exit terms, C&S System also has a right to receive Rs. 3 per card issued during the tenure of the Gujarat and Maharashtra Projects. As of the Balance Sheet date an amount of Rs. 12 Million is receivable from Shonkh which would be adjusted to that extent in the subsequent years against the foregoing recovery under the aforesaid right to receive Rs. 3 per card.

ii. The aggregate amounts of assets, liabilities, income and expenses related to the Company's share in the joint ventures (till the time the entities were joint ventures – Refer Notes 1.3(i) and 1.3(ii) of Schedule 19) that are consolidated and included in the financial statements are given below:

2008-09:

<i>(Rs. in Million)</i>	
<b>Particulars</b>	<b>Amount</b>
Income from Services	119
Other Income	9
<b>Total</b>	<b>128</b>
Personnel Expenses	71
Operating and Other Expenses	39
Interest	-
Depreciation	5
<b>Total</b>	<b>115</b>
Net Profit/(Loss) after Tax	<b>13</b>

2007-08 ("As Published" Refer Note 34 of Schedule 19):

<i>(Rs. in Million)</i>	
<b>Particulars</b>	<b>Amount</b>
Income from Services	392
Other Income	3
<b>Total</b>	<b>395</b>
Personnel Expenses	224
Operating and Other Expenses	141
Interest	1
Depreciation	21
<b>Total</b>	<b>387</b>
Net Profit/(Loss) after Tax	<b>8</b>

(Rs. in Million)

Particulars	Amount
Secured Loans	1
Fixed Assets	14
Inventories	1
Sundry Debtors	137
Cash and Bank balances	163
Loans and Advances	62
Interest Accrued on Fixed Deposits	-
Current Liabilities	151
Provisions	11

## 22. Others

Others comprises of various impairment and other loss provisions made in respect of the following subsidiaries:

(Rs. in Million)

Name of the Subsidiary	Amount
Satyam BPO Limited	1,856
Knowledge Dynamics Pte. Ltd.	26
Satyam Technologies Inc	28
Satyam Computer Services (Shanghai) Co. Limited	325
Satyam Computer Services (Nanjing) Company Limited	180
Nitor Global Solutions Limited	17
Satyam Computer Services (Egypt) S.A.E.	79
Citisoft Plc	26
Satyam Computer Services Belgium, BVBA	7
Satyam Venture Engineering Services	3
Bridge Strategy Group LLC	41
<b>Total</b>	<b>2,588</b>

## 23. Auditors' Remuneration (net of Service Tax Input Credit, where applicable) (Including auditors of subsidiaries)

(Rs. in Million)

Particulars	For the year ended March 31, 2009 (Refer Notes (i) to (iii) below)
<b>Statutory auditor</b>	
Statutory audit fees*	57
Tax audit fees	5
Other services	8
Reimbursement of expenses	2
<b>Auditors of subsidiaries</b>	
Statutory audit fees	5
Other services	5
<b>Total</b>	<b>82</b>

\* Including the audit of prior period items. The statutory audit fee for the Company is subject to the approval of the shareholders.

### Notes:

- The above amount excludes Rs 71 Million (fees and expenses) accounted and paid during the current year to networked firms of the current statutory auditors towards forensic investigation prior to their appointment as statutory auditors.
- The above amount excludes Rs 1 Million paid during the current year to networked firms of the current statutory auditors towards other services prior to their appointment as the statutory auditors.
- The above amount for the current year includes Rs.11 Million paid to the previous auditors.



## 24. Government grants

- 24.1** The Company has received a grant from Multimedia Development Corporation (an agent of the Government of Malaysia) in the form of fully-fitted premises and reimbursement of salary costs for establishment of global delivery center. The fully fitted premises received under the grant have been recorded at nominal value under fixed assets. The reimbursement received in 2008-09 for salary costs of 2007-08 amounting to MYR 8.5 Million (equivalent to Rs. 122 Million) and the reimbursement received/receivable for salary costs of 2008-09 amounting to MYR 9.84 Million (equivalent to Rs. 141 Million) has been accounted as Other Income during the current year ended March 31, 2009.
- 24.2** The Company has received a grant from the Ministry for Information and Communication Technology, Australia (the Ministry) aggregating AUD 0.94 Million (equivalent to Rs.33 Million) towards reimbursement of salary costs for the period from July 2008 to September 2008 in the month of December 2008. Pending fulfillment of obligations under the agreement, the Company has not accounted the same as income during the year 2008-09 but has accounted for the same as a liability as at March 31, 2009. Subsequent to the year end, the agreement with Deakin University was terminated pursuant to non fulfillment of the conditions by the Company and the land allotted has been surrendered back.
- 24.3** The Company has received a non-monetary grant from Deakin University, Australia in the form of 25 acres of land in July 2008. Subsequent to the year end, the land allotted has been surrendered back to the Deakin University since the agreement was terminated pursuant to non fulfillment of conditions by the Company.
- 24.4** Satyam Computer Services (Egypt) S.A.E. ('Satyam Egypt') had received a non-monetary capital grant from Ministry of Communications and Information Technology, Arab Republic of Egypt for establishment of a development center in Cairo in the form of office infrastructure in December 2006. Satyam Egypt was entitled to other benefits i.e. reimbursement of certain salary costs, training and rental expenses and certain revenue commitments under the terms of the grant which were not received by Satyam Egypt due to non-fulfillment of terms and conditions of the grant. The infrastructure facilities received under the grant have been recorded at nominal value under fixed assets.

## 25. Employee benefits

### 25.1 Gratuity

The Gratuity plan of the Company and its subsidiaries situated in India is a defined benefit plan and is unfunded. The details of actuarial data with respect to Gratuity are given below:

Detail of actuarial valuation	<i>(Rs. In Million)</i>	
	For the year ended March 31, 2009	For the year ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<b>Change in benefit obligation</b>		
Projected benefit obligation as at year beginning	710	475
Current service cost	199	131
Interest cost	64	35
Actuarial loss	92	120
Benefits paid	(45)	(51)
<b>Projected benefit obligation as at year end</b>	<b>1,020</b>	<b>710</b>
<b>Amounts recognised in the Balance Sheet</b>		
Present value of obligation	1,020	710
Fair value of the plan assets at the year end	-	-
<b>Liability recognised in the Balance Sheet</b>	<b>1,020</b>	<b>710</b>
<b>Cost of defined benefit plan for the year</b>		
Current service cost	199	131
Interest on obligation	64	35
Actuarial loss recognised in the year	92	120
<b>Net cost recognised in the Profit and Loss account</b>	<b>355</b>	<b>286</b>
<b>Assumptions</b>		
Discount rate (% p.a)	5.4% to 7.95%	7.50%
Future salary increase(% p.a)	0% for the first year and 10% thereafter	7.00%
Mortality	LIC (1994-96)	
Attrition (% p.a)	2% to 15.00%	

**Notes for 2008-09:**

- (i) The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (ii) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

**25.2 Compensated absences**

The key assumptions, as provided by an independent actuary, used in the computation of provision for compensated absences are as given below:

Particulars	For the year ended March 31, 2009
Discount rate (% p.a)	7.00%
Future salary increase (% p.a)	0% for the first year and 10% thereafter
Mortality	LIC (1994-96)
Attrition (% p.a)	15%

**26. Segment reporting**

The Group has adopted AS 17, "Segment Reporting", which requires disclosure of financial and descriptive information about the Group's reportable operating segments. The operating segments reported below are the segments of the Group 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. The Group 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. The Parent provides its customers the ability to meet all of their information technology needs from one service provider. The Company'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. The Company 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).

**26.1 Business segment**
*(Rs. in Million)*

Description	For the year ended March 31, 2009			
	IT services	BPO	Elimination	Total
Sales to external customers	86,999	1,127	-	88,126
Inter Segment Sales	4	752	(756)	-
<b>Total revenue</b>	<b>87,003</b>	<b>1,879</b>	<b>(756)</b>	<b>88,126</b>
Segment result – (Loss)	(3,608)	(1,626)	-	(5,234)
Interest expense	400	221	-	621
Tax Expense	1,583	7	-	1,590
Other Unallocable Expenses (Net)				11,873
<b>Profit/(loss) before extraordinary items and prior period adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,318)</b>
Extraordinary items	-	-	-	
Prior period adjustments	-	-	-	62,428
<b>Profit/(loss) before Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(81,746)</b>
Minority Interest	-	-	-	22
<b>Profit/(loss)</b>				<b>(81,768)</b>
<b>Other segment information</b>				
Capital expenditure	9,130	44	-	9,174
Depreciation	3,045	218	-	3,263
Unallocated Corporate Depreciation	-	-	-	5,131
Non-cash expenses other than depreciation	16,720	1,098		17,818

Contd.





(Rs. in Million)

Description	For the year ended March 31, 2008			
	"As Published" (Refer Note 34 of Schedule 19)			
	IT Services	BPO	Elimination	Total
<b>Revenue</b>				
Sales to external customers	82,938	1,797	–	84,735
Inter segment sales	1	630	(631)	–
<b>Total revenue</b>	<b>82,939</b>	<b>2,427</b>	<b>(631)</b>	<b>84,735</b>
Segment result–Profit/(Loss)	16,872	(160)	–	16,712
Interest expense	61	141	–	202
Other income	2,573	99	–	2,672
Income taxes	2,296	7	–	2,303
<b>Profit/(Loss)</b>	<b>17,088</b>	<b>(209)</b>	<b>–</b>	<b>16,879</b>
<b>Other segment information</b>				
Capital expenditure	6,028	215	–	6,243
Depreciation	1,420	216	–	1,636
Non-cash expenses other than depreciation	1,190	1	–	1,191

**Particulars of segment assets and liabilities**

(Rs. in Million)

Description	As at March 31, 2009			
	IT services	BPO	Elimination	Total
Segment Assets	39,301	970	(223)	40,048
Bank Deposits/Unclaimed Dividend Accounts	449	2	-	451
Deferred Tax Assets	565	-	(500)	65
<b>Total Assets</b>				<b>40,564</b>
Segment Liabilities	16,605	365	(223)	16,747
Loan Funds	6,478	2,164	(500)	8,142
Deferred Tax Liability	48	-	-	48
Other Liabilities	168	-	-	168
Provision for Taxation	4,422	-	-	4,422
Provision for Contingencies	-	-	-	4,750
Provision for Losses in Subsidiaries	-	-	-	2,588
<b>Total Liabilities @</b>				<b>36,865</b>

@ The above excludes Amounts Pending Investigation Suspense Account (Net) amounting to Rs. 12,304 Million (Refer Note 6.1 of Schedule 19)

(Rs. in Million)

Description	As at March 31, 2008			
	"As Published" (Refer Note 34 of Schedule 19)			
	IT Services	BPO	Elimination	Total
Segment assets	48,493	4,068	(391)	52,170
Investments	2,735	–	(2,735)	–
Bank deposits	33,268	3	–	33,271
Other assets	3,597	–	–	3,597
<b>Total assets</b>	<b>88,093</b>	<b>4,071</b>	<b>(3,126)</b>	<b>89,038</b>
Segment liabilities	13,219	456	(391)	13,284
Other liabilities	1,468	1,894	–	3,362
<b>Total liabilities</b>	<b>14,687</b>	<b>2,350</b>	<b>(391)</b>	<b>16,646</b>

## 26.2 Geographic segment

Revenue based on geography considering the location of customers/ultimate customers and compiled based on the information available with the Management is as follows:

<b>Particulars</b>	<b>(Rs. in Million)</b>	
	<b>For the year ended March 31, 2009</b>	
Americas		53,067
Europe		17,956
Asia Pacific		10,308
India		4,380
Rest of World		2,415
<b>Total</b>		<b>88,126</b>

<b>Particulars</b>	<b>(Rs. in Million)</b>	
	<b>For the year ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)</b>	
North America		50,887
Europe		17,786
Asia Pacific		11,365
India		2,527
Rest of World		2,170
<b>Total</b>		<b>84,735</b>

Segment assets based on the location of customers/ultimate customers and compiled based on the information available with the Management are as follows:

### For the year ended March 31, 2009

<b>Particulars</b>	<b>(Rs. in Million)</b>	
	<b>Segment Assets</b>	<b>Capital Expenditure</b>
Americas	11,048	178
Europe	6,641	1,234
Asia Pacific	3,691	404
India	17,035	7,296
Rest of World	1,633	62
<b>Total</b>	<b>40,048</b>	<b>9,174</b>

### For the year ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)

<b>Particulars</b>	<b>(Rs. in Million)</b>	
	<b>Segment Assets</b>	<b>Capital Expenditure</b>
North America	21,997	58
Europe	7,847	182
Asia Pacific	4,866	225
India	16,182	5,757
Rest of World	1,278	21
<b>Total</b>	<b>52,170</b>	<b>6,243</b>



## 27. Related Party Transactions

- (i) The list of related parties of the Group is given below:

### Joint venture partners (Refer Note 6.11 of Schedule 19):

Name of the entity	Relationship
Venture Engineering Services	Joint venture partner in SVES

### Others:

Name of the entity	Relationship
Satyam Foundation Trust	Enterprises where the Company is in a position to exercise control
Satyam Associates Trust	

### Key Management Personnel - Company:

Name of the Key Management Personnel	Designation
B. Rama Raju	Managing Director (Refer Note 3.7 (i) of Schedule 19)
B. Ramalinga Raju	Chairman (Refer Note 3.7 (i) of Schedule 19)
Rammohan Rao Mynampati	President and Director (Refer Note 3.7 (i) of Schedule 19)

### Note:

During the current year, the Company has identified only those persons who, in the opinion of the Management, had the authority and responsibility for planning, directing and controlling the activities of the Company as Key Management Personnel.

As at March 31, 2009, the Central Government had appointed 6 persons as directors of the Company (Refer Note 4 of Schedule 19) who were administering the affairs of the Company until the acquisition by Venturbay (Refer Note 5 of Schedule 19). The names of these directors are given below:

Mr. Kiran Karnik  
 Mr. Deepak S. Parekh  
 Mr. Tarun Das  
 Mr. S. B. Mainak  
 Mr. C. Achuthan  
 Mr. T. N. Manoharan

- (ii) Summary of the transactions and balances with the above related parties are as follows

### Transactions during the year

Particulars	Rs. in Million
Services received from VGE & its affiliates	85
Sales to VGE & its affiliates	1
Contributions made to Satyam Foundation Trust	29
Remuneration paid to Key Managerial Personnel (net of recoveries)*	
B. Ramalinga Raju	2
B. Rama Raju	2
Rammohan Rao Mynampati	3
Rent paid to Uma Mynampati (Spouse of Rammohan Rao Mynampati) (Rs. 225,720 only)	-

\* Refer Note 8.1(i) of Schedule 19.

### Balances at the year end

Particulars	Rs. in Million
Payable to VGE and affiliates	236
Payable to Satyam Foundation Trust	4
Receivable from Satyam Associates Trust	32
Receivable from VGE and affiliates	1
Recoverable from Key Managerial Personnel*	
B. Ramalinga Raju	3
B. Rama Raju	2
Rammohan Rao Mynampati	18

\* Refer Note 8.1(i) of Schedule 19.

- a) Related party relationships are as identified by the Management and relied upon by the Auditors. Taking into account the forensic investigation and the information available with the Management, the Management has identified the related parties of the Group and the transactions have been appropriately disclosed. However, there may be additional related parties whose relationship would not have been disclosed to the Group and, hence, not known to the Management.
- b) Options granted and outstanding to the Key Management Personnel 514,860 (includes 496,110 options granted under ASOP – ADS and 18,750 options granted under ASOP – RSUs (ADS));
- c) The Company has given an interest free loan to Satyam Associates Trust amounting to Rs. 50 Million (Balance outstanding as at March 31,2009 – Rs 32 million) The loan was provided by the Company in the prior years as a funding to the Trust for repayment of loans obtained from the Trust from external parties. As per the terms of understanding with the Trust, the loan is repayable by the Trust to the Company on receipt of the exercise price from the employees who have been allotted options under the ASOP-A scheme.

**2007-08 “As Published” (Refer Note 34 of Schedule 19)**

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.Satyannarayana, Deepak Mangla (partly employed), Naresh Jhangiani, Seshadri Krishna, K Srinivas Rao and S. Nagarajaiah Harish.

**Transactions**

	<i>(Rs. in Million)</i>
<b>Particulars</b>	<b>For the year ended March 31, 2008</b>

Contributions	42
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**Balances**

	<i>(Rs. in Million)</i>
<b>Particulars</b>	<b>As at March 31, 2008</b>

Advances	57
Payables	11

**Transactions with Directors and Key Management Personnel**

	<i>(Rs. in Million)</i>
<b>Particulars</b>	<b>For the year ended March 31, 2008</b>

Remuneration payable to whole-time directors	46
Remuneration payable to Key Management Personnel	24
Professional charges payable to a director	8
Advances to Key Management Personnel	2

**Balances with Directors and Key Management Personnel**

	<i>(Rs. in Million)</i>
<b>Particulars</b>	<b>As at March 31, 2008</b>

Remuneration payable to whole-time directors	2
Remuneration payable to Key Management Personnel	11
Professional charges payable to a director	2
Advances to Key Management Personnel	2

- a. Maximum indebtedness from Key Managerial Personnel during the year was Rs. 3 Million
- b. Options granted and outstanding to the Key Management Personnel 1,915,492 {includes 51,850 options granted under ASOP – ADS and 96,000 options granted under ASOP – RSUs (ADS)}
- c. Options granted and outstanding to a Whole-time Director 1,029,720 {includes 992,220 options granted under ASOP – ADS and 37,500 options granted under ASOP – RSUs (ADS)}.
- d. Options granted and outstanding to Non-executive Directors of Satyam 80,000 {includes 35,000 options granted under ASOP – RSUs (ADS)} (2007 – Nil).



## 28. Leases

### i. Obligation on long term non-cancelable operating leases

The Group has entered into operating lease agreements for its development centers at offshore, onsite and off-sites ranging for a period of 1 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 the respective agreements are as follows:

Particulars	<i>(Rs. in Million)</i>	
	Year ended March 31, 2009	Year ended March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
Lease rentals (Refer Schedule 17)	2,315	1,432

### Maximum Obligations towards non-cancellable operating leases:

Particulars	<i>(Rs. in Million)</i>	
	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
Not later than one year	1,158	695
Later than one year and not later than five years	2,465	2,727
Later than five years	434	530
<b>Total</b>	<b>4,057</b>	<b>3,952</b>

### ii. Obligations towards finance leases (where the Group is the lessee):

Particulars	<i>(Rs. in Million)</i>	
	As at March 31, 2009	
<b>Minimum lease payments</b>		
- Less than one year	327	
- One to five years	1,386	
- Later than five years	48	
<b>Total</b>	<b>1,761</b>	
<b>Present value of minimum lease payments:</b>		
- Less than one year	321	
- One to five years	1,035	
- Later than five years	26	
<b>Total</b>	<b>1,382</b>	

#### Note:

The above disclosures in respect of operating leases and finance leases have been made taking into account the position as at March 31, 2009 and the impact on account of subsequent cancellation of leases, if any, has not been considered in the above.

## 29. Earnings Per Share (EPS)

### Calculation of EPS (Basic and Diluted)

2008-2009

Particulars	For the year ended March 31, 2009
<b>Basic and Diluted EPS</b>	
(Loss) after taxation (Rs. in Million)	(81,768)
Weighted Average Number of Equity Shares	673,014,491
Basic and Diluted EPS of Rs. 2 each (Rs.)	(121.49)

#### Note:

The weighted average number of equity shares used for Basic EPS and Diluted EPS are the same since the outstanding potential equity shares as at March 31, 2009 are anti-dilutive in nature.

**2007-08 ("As Published" (Refer Note 34 of Schedule 19))**

Particulars	For the year ended March 31, 2008
<b>Basic</b>	
Opening no. of shares	667,196,009
Total shares outstanding	668,673,978
Profit after taxation (Rs. in Million)	16,879
EPS of Rs. 2 each (Rs.)	25.24
<b>Diluted</b>	
Stock options outstanding	14,464,422
Total shares outstanding (including dilution)	683,138,400
EPS of Rs. 2 each (Rs.)	24.71

**Note:**

Earnings per share has been computed in accordance with Accounting Standard 20 - Earnings per Share

**30. Provision for taxation**
**30.1 Current tax**
**Company**

No provision has been made in the financial statements towards current tax for the current year towards its domestic operations, since the Company has incurred a tax loss for the year. Further, the Management has assessed the Company's tax position in respect of its overseas operations taking into account the relevant rules and regulations as applicable in the respective countries and, based on professional advice, has determined that the provision amounting to Rs. 317 Million made currently is adequate and no additional provision for current tax for the current year needs to be made in respect of the same. The tax provision for the current year also includes an amount of Rs. 156 Million towards adjustments for unreconciled amounts pertaining to earlier periods.

Part of the Company's operations in India are conducted through Software Technology Parks (STPs). Based on the current statutory provisions Income from STPs is tax exempt for a period of 10 years commencing from the fiscal year in which the unit commences its activities, or upto March 31, 2011, whichever is earlier.

The Company also has operations in Special Economic Zones (SEZs) in India. Income from SEZs are expected to be fully tax exempt for the first five years, 50% exempt for the next five years and 50% exempt for another five years subject to fulfilling certain conditions.

**Subsidiaries**

An amount of Rs. 69 Million has been included under Income tax – Current in respect of the subsidiaries of the Company.

**30.2 Deferred tax**

The breakup of deferred tax assets/liabilities as at the year end is as follows:

Particulars	(Rs. in Million)	
	As at March 31, 2009	As at March 31, 2008 "As Published" (Refer Note 34 of Schedule 19)
<i>Deferred Tax (Liability)</i>		
Depreciation	(39)	(57)
Others	(9)	
<b>Total (A)</b>	<b>(48)</b>	<b>(57)</b>
<i>Deferred Tax Asset</i>		
Provision for doubtful debts	20	133
Provision for doubtful advances	-	14
Depreciation	20	
Employee benefits	25	782
<b>Total (B)</b>	<b>65</b>	<b>929</b>
<b>Net</b>		<b>872</b>

**Note:**

No deferred tax asset has been recognised in respect of the Company as at March 31, 2009 on account of accumulated business losses and other items on grounds of prudence.



### 30.3 Transfer pricing

The Company has entered into international transactions with related parties. The Management is of the opinion that all necessary documents as prescribed by the Income Tax Act, 1961 to prove that these transactions are at arms length are maintained by the Company and that the aforesaid legislation will not have any impact on the financial statements, particularly on the tax expense and the provision for taxation.

## 31. Provisions

### 31.1 Provision for warranties

The Company provides warranty support to some of its customers as per the terms of the contracts (Refer Note 14.6 of Schedule 19). The details of provision for warranties are as follows:

Particulars	<i>(Rs. in Million)</i> For the year ended March 31, 2009
Opening balance	-
Provision made during the year	105
Amounts utilised during the year	-
Closing balance	105

**Note:**

Provision for warranties is estimated and made based on technical estimates of the Management and is expected to be settled over the period of next one year.

### 31.2 Provision for contingencies

The Company carries a general provision for contingencies towards various claims made/anticipated against the Company based on Management's assessment. Also refer Note 6 of Schedule 19. The details of the same are as follows:

Particulars	<i>(Rs. in Million)</i> For the year ended March 31, 2009
Opening balance	-
Provision made during the year	4,750
Amounts utilised during the year	-
Closing balance	4,750

**Note:**

Given the nature of the claims referred to above, it is not possible to estimate the timing/uncertainties relating to the utilisation/reversals from the provision for contingencies.

### 31.3 Provision for unexplained differences debited to the Profit and Loss account comprises the following:

Particulars	<i>(Rs. in Million)</i> For the year ended March 31, 2009	Note Ref.
Forensic Related - Other Differences (Net) between April 1, 2008 and December 31, 2008	7	Refer Notes 3.3(ii) and 3.4 of Schedule 19
Other Differences (Net)	27	Refer Note 9.3 of Schedule 19
<b>Total</b>	<b>34</b>	

### 31.4 Provision for impairment losses in subsidiaries

The Company carries a provision towards impairment losses in subsidiaries:

Particulars	<i>(Rs. in Million)</i> For the year ended March 31, 2009
Opening balance	-
Provision made during the year	2,588
Amounts utilised during the year	-
Closing balance	2,588



**32. Derivative instruments – the Company**

The Company, in accordance with its risk management policies and procedures, enters into foreign currency forward contracts and foreign currency option contracts to manage its exposure in foreign exchange rates.

Pursuant to the announcement of the Institute of Chartered Accountants of India (ICAI) in respect of "Accounting for Derivatives", the Company had opted to follow the recognition and measurement principles relating to derivatives as specified in Accounting Standard 30 - "Financial Instruments, Recognition and Measurement", issued by the ICAI, from the year ended March 31, 2008.

The Company has outstanding foreign exchange forward/option contracts, the fair value of which showed a net loss of Rs. 1,101 Million as at March 31, 2009. Since these contracts have not been designated as cash flow hedges, they have been marked to market as at the Balance Sheet date and provision for losses have been dealt with in the Profit and Loss account.

The net loss on forward exchange and option contracts which has been accounted in the Profit and Loss account aggregated Rs 4,632 Million (net loss).

- i. The following are the outstanding forward exchange contracts and foreign currency option contracts entered into by the Company as at March 31, 2009:

Foreign exchange forward contracts as at March 31, 2009:

<i>(In Million)</i>		
Particulars	Number of contracts	Amount
USD (Sell)	26	45
INR equivalent	26	2,294

Foreign currency option contracts as at March 31, 2009:

<i>(In Million)</i>		
Particulars	Number of contracts	Amount
USD (Sell)	63	119
Total INR equivalent	63	6,076

- ii. The foreign currency exposures as at March 31, 2009 that have not been specifically hedged by a derivative instrument or otherwise are given below:

<i>(In Million)</i>					
Currency	Advances and deposits	Cash and bank balances	Creditors & payables	Debtors & Unbilled Revenue	Grand total
AED	3	1	(2)	19	21
AUD	3	9	(12)	46	46
BRL	1	1	(1)	2	3
CAD	-	1	(1)	4	4
CHF	1	1	(2)	5	5
CNY	-	-	-	8	8
CZK	-	3	(1)	-	2
DKK	-	5	(2)	6	9
EUR	14	5	(5)	35	49
GBP	2	1	(8)	15	10
GHC	-	-	40	-	40
HKD	-	2	(2)	-	-
HUF	3	85	(34)	-	54
JPY	104	312	(239)	666	843
KES	3	30	(120)	-	(87)
KRW	22	464	(63)	55	478
LKR	-	13	-	-	13
MUR	-	1	-	-	1
MYR	3	-	(1)	-	2
NZD	-	2	-	1	3
PHP	-	-	(1)	-	(1)
QAR	5	-	(1)	-	4
SAR	1	9	(2)	-	8
SEK	-	1	(4)	-	(3)

Contd.



						<i>(In Million)</i>
<b>Currency</b>	<b>Advances and deposits</b>	<b>Cash and bank balances</b>	<b>Creditors &amp; payables</b>	<b>Debtors &amp; Unbilled Revenue</b>	<b>Grand total</b>	
SGD	2	2	(5)	6	5	
THB	9	19	(3)	30	55	
TTD	1	-	(1)	-	-	
TWD	-	10	(1)	-	9	
USD	31	28	(87)	108	80	
XAF	-	-	4	-	4	
ZAR	6	15	(7)	21	35	
<b>INR Equivalent</b>	<b>3,296</b>	<b>2,972</b>	<b>(6,502)</b>	<b>12,097</b>	<b>11,863</b>	

### 33. Notification to NYSE to delist

The Company has notified the NYSE of its intention to delist the ADRs from the said exchange. The Company is currently late in filing its annual report on Form 20-F for the year ended March 31, 2009. The Company was notified by the NYSE of its noncompliance. Pursuant to the NYSE's rules, the Company was given time until October 15, 2010, to make this filing, as previously announced, which represents the maximum time period available. The Company does not now anticipate that it will be able to file restated US GAAP financial statements for the period ended March 31, 2009 on or prior to October 15, 2010, the compliance date in accordance with the NYSE's rules.

### 34. Previous period financial statements

As stated in Note 3.7(ii) of Schedule 19, the former statutory auditors of the Company vide their letter dated January 13, 2009 to the Board of Directors have indicated that their audit reports and opinions in relation to the standalone and consolidated financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon. The comparative financial statements for the year ended March 31, 2008 included in the financial statements including the related notes to accounts and other disclosures, to the extent made, are as per the published numbers (duly converting the amounts in "Crores" to amounts in "Million" and making the required rounding off adjustments), for the previous year ended March 31, 2008 as reported upon by the former statutory auditors vide their report dated April 21, 2008 and as adopted by the shareholders.

Further, certain disclosures were not made in the published financial statements for the previous year ended March 31, 2008. The information in respect of such disclosures relating to the previous year, in the current year's financial statements, have not been made in the absence of complete/necessary information.

In addition, the information pertaining to the previous year has not been reclassified and represented in line with the current year presentation for the reasons stated above.

Information relating to the previous year has been provided only to comply with statutory requirements and the same cannot be used for the any comparison purposes or otherwise in view of the reasons mentioned above and in Note 3 of Schedule 19.

### 35. Exceptional items

The Profit and Loss account includes the following exceptional items (expenditure):

		<i>(Rs. in Million)</i>
<b>Particulars</b>		<b>For the year ended March 31, 2009</b>
Expenses related to forensic investigation and litigation support		832
Provision for doubtful debts, advances and impairment of assets		4,191
Provision for impairment losses in Subsidiaries		7,719
Provision for contingencies		4,750
Prior period adjustments (Refer Note 3.4 of Schedule 19)		62,428
<b>Total</b>		<b>79,920</b>

**For and on behalf of the Board of Directors**

**C. Achuthan**  
Director

**Vineet Nayyar**  
Chairman

**C.P.Gurnani**  
Whole-time Director & CEO

**T.N.Manoharan**  
Director

**Ulhas N.Yargop**  
Director

**S.Durgashankar**  
Chief Financial Officer

**G.Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010



# Satyam Computer Services Limited

Regd. Office: Mahindra Satyam Infocity, Unit - 12, Plot No. 35/36, Hi-tech City Layout,  
Survey No. 64, Madhapur, Hyderabad, A.P., India, Pin - 500 081

2008 - 09

## FORM OF PROXY

I/We \_\_\_\_\_ of \_\_\_\_\_  
being member(s) of the above-named Company, hereby appoint the following as my/our proxy to attend and vote on a poll for me/ us and on my/our behalf at the 22<sup>nd</sup> Annual General Meeting of the Company, to be held on Tuesday, December 21, 2010 at 10.00 A.M. and at any adjournment thereof :

Signature

1. Mr./Ms \_\_\_\_\_, or failing him/her \_\_\_\_\_.
2. Mr./Ms \_\_\_\_\_, or failing him/her \_\_\_\_\_.
3. Mr./Ms \_\_\_\_\_, \_\_\_\_\_.

\* I/We direct my/our proxy to vote on the resolutions in the manner as indicated below:

Resolutions	For	Against	Resolutions	For	Against
Resolution No. 1			Resolution No. 4		
Resolution No. 2			Resolution No. 5		
Resolution No. 3			Resolution No. 6		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Folio No : \_\_\_\_\_ No. of Shares held \_\_\_\_\_

DP ID : \_\_\_\_\_ Client ID: \_\_\_\_\_

Affix  
Revenue  
Stamp

Signature(s) of Member(s) (1) \_\_\_\_\_ (2) \_\_\_\_\_ (3) \_\_\_\_\_

for notes see overleaf

\* Refer note no.6



# Satyam Computer Services Limited

Regd. Office: Mahindra Satyam Infocity, Unit - 12, Plot No. 35/36, Hi-tech City Layout,  
Survey No. 64, Madhapur, Hyderabad, A.P., India, Pin - 500 081

2008 - 09

## ATTENDANCE SLIP

I hereby record my presence at the 22<sup>nd</sup> Annual General Meeting of the Company at Sri Sathya Sai Nigamagamam (Kalyana Mandapam), 8-3-987/2, Srinagar Colony, Hyderabad-500 073 on Tuesday, December 21, 2010 at 10.00 A.M.

\_\_\_\_\_  
Full Name of the Member (in block letters)

\_\_\_\_\_  
Signature

Folio No : \_\_\_\_\_

No. of Shares held \_\_\_\_\_

DP ID : \_\_\_\_\_

Client ID: \_\_\_\_\_

\_\_\_\_\_  
Full name of the proxy (in block letters)  
(to be filled if the proxy attends instead of the member)

\_\_\_\_\_  
Signature

**Note:** Members attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

**Notes:**

1. The Proxy, to be effective should be deposited at the Registered Office of the Company not less than FORTY-EIGHT HOURS before the commencement of the Meeting.
2. A Proxy need not be a member of the Company.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members.
4. This form of proxy confers authority to demand or join in demanding a poll.
5. The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the Meeting.
6. \*This is optional. Please put a tick mark (✓) in the appropriate column against the resolutions indicated in the box. If a member leaves the 'For' or 'Against' column blank against any or all the resolutions, the proxy will be entitled to vote in the manner he/ she thinks appropriate. If a member wishes to abstain from voting on a particular resolution, he/she should write "Abstain" across the boxes against the resolution.
7. In case a member wishes his/her votes to be used differently, he/she should indicate the number of shares under the columns 'For' or 'Against' as appropriate.

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## Notice

Notice is hereby given that the 23<sup>rd</sup> Annual General Meeting of Satyam Computer Services Limited will be held as per the schedule given below.

**Day and Date** : Tuesday, December 21, 2010  
**Time** : 11.30 AM  
**Venue** : Sri Sathya Sai Nigamagaram (Kalyana Mandapam)  
8-3-987/2, Srinagar Colony, Hyderabad - 500 073.

### Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at March 31, 2010, the Profit and Loss Account for the year ended on that date, and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Ulhas N. Yargop, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To consider and if thought fit, pass with or without modification(s), the following resolution as an ordinary resolution:  
"RESOLVED THAT M/s Deloitte Haskins & Sells, Chartered Accountants, (Registration No.0080275) having its office at 1-8-384 & 385, 3<sup>rd</sup> floor, Gowra Grand, S.P. Road, Secunderabad, be and is hereby appointed as statutory auditors of the company, from the conclusion of this meeting until the conclusion of next Annual General Meeting of the Company, on such remuneration as may be determined by the Board of Directors."

### Special Business

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution:  
"RESOLVED THAT pursuant to the provisions of Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Board of Directors of the Company be and is hereby authorised to contribute, from time to time, to charitable and other funds, not directly relating to the business of the Company, such amount or amounts, as the Board may in its absolute discretion deem fit and the total amount that may be so contributed in any financial year of the Company shall not exceed Rs. 5 crores (Rupees five crores only) or five percent of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, whichever is greater.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary and/or expedient for implementing and giving effect to this resolution."

By order of the Board of Directors  
For Satyam Computer Services Limited

Place : Hyderabad  
Date : September 29, 2010

G. Jayaraman  
Company Secretary

### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself or herself. A proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company, not

later than 48 hours before the commencement of the meeting. Completion and return of the form of proxy will not prevent a member attending the meeting and voting in person if he or she so wishes. A form of proxy is given at the end of this Annual Report.

2. The register of members and share transfers books of the Company will remain closed from December 20, 2010 and December 21, 2010 (both days inclusive).
3. While members holding shares in physical form may write to the Company for any change in their addresses, members holding shares in electronic form may write to their depository participants for immediate updation.
4. Members/proxies are requested to bring duly filled in attendance slips to the meeting. The form of attendance slip is given at the end of this Annual Report.
5. The statutory registers maintained under Section 307 of the Companies Act, 1956 and the certificate from the auditors of the Company certifying that the Company's stock option plans are implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, and in accordance with the resolutions passed by the members in the general meetings will be available at the venue of Annual General Meeting for inspection by members.
6. The brief profile of the Director who is retiring by rotation and recommended for re-appointment is provided as part of the Profile of Directors.

### Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 and Clause 23 (a) of the Articles of Association of the Company.

#### Item no. 4

Under Section 293(1)(e) of the Companies Act, 1956 ("the Act"), the Board of Directors of a public company cannot, except with the consent of its members, contribute to charitable and other funds not directly relating to the business of the company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed Rs.50,000/- (Rupees Fifty Thousand only) or 5% (five per cent) of the company's average net profit as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

The Company proposed to continue the contribution to charitable purposes under "Corporate Social Responsibility" perspective and accordingly the resolution for making such contribution is placed.

Your Directors recommend the resolution as set out at item no.4 in the notice for your approval.

None of the Directors of the Company is concerned or interested in this resolution.

By order of the Board of Directors  
For Satyam Computer Services Limited

Place : Hyderabad  
Date : September 29, 2010

G. Jayaraman  
Company Secretary

## Directors' Report

Your Directors present their report for the Financial Year 2009-10.

### Financial highlights

Particulars	(Rs. in Million)	
	2009-10	2008-09
Income from Operations	51,005	84,062
Other Income	984	617
Total Income	51,989	84,679
Operating Profit/(Loss) (PBITD)	1,612	(12,031)
Interest and Financing Charges	254	390
Depreciation/Amortization	1,908	2,972
Prior period adjustments	-	62,428
(Loss) before Tax	(550)	(77,821)
Provision for Tax	162	1,531
(Loss) after Tax	(712)	(79,352)
Equity share capital	2,352	1,348
Reserves and Surplus	43,963	16,063
Transfer to / (from) General Reserve	-	(6,337)
Earnings per share (Rs. Per equity share of Rs. 2 each)		
- Basic (Rs.)	(0.65)	(117.91)
- Diluted EPS (Rs.)	(0.65)	(117.91)
Dividend (%)	-	50

### Business overview

During the year under review, your Company recorded Rs. 51,005 Million towards income from operations. North America, Europe, Asia Pacific and rest of the world accounted for 53.65%, 25.69%, 12.52% and 8.14% of the revenues respectively. Offshore revenue during the year was 48.11% while onsite was 51.89%. The Company lost 38.66% of customers due to various reasons. However your Company, now being part of the Mahindra Group, has re-organized itself to enable faster recovery and succeeded to win over some of the new customers which accounted for 10.62% of the total customers at the year end.

Your Company implemented a new organization design considering customer centricity, focused competency building and simplified accountability. Accordingly, the Company was organized into Integrated Business Groups (IBGs), Competency and Support Groups.

IBGs are "stand-alone" business groups organized as a cluster of customers in a vertical or geography. IBGs would be responsible for growing existing accounts along with delivery teams and developing new business with the support of Pre-sales and Solutions teams.

Competency Groups focus on thought leadership, differentiating capability building and service offerings to the customer facing IBGs. Competency Groups develop and deliver solutions involving specialized technologies and competencies that span across IBGs. In case of few independent service line categories such as Engineering Services and Infrastructure Management Services, service delivery responsibilities are also undertaken by these units due to the specialized nature of the capabilities. In all engagements, IBGs take up customer accountability and delivery integration across service offerings.

Support Groups such as HR, Quality, Marketing and Finance support the IBGs, Competency Groups and other Support Groups.

Your Company is proud to be the first Indian IT service provider for one of the world's biggest sporting events during June-July 2010, the 2010 FIFA World Cup™ at South Africa. It was the moment of pride for the Company that the Mahindra Satyam logo was displayed prominently at the venues along with well known international brands. There were 130 Associates of the Company who worked round the clock, in the IT Command Center at Johannesburg, to seamlessly integrate and support the IT charter for FIFA in overseeing 12 other venues including the 10 stadiums.

### Dividend

Due to inadequacy of profits and free reserves for the FY 2010, no dividend has been recommended by the Directors.

### Increase in the share capital

Subsequent to the induction of Venturbay Consultants Private Limited, (Venturbay) the wholly owned subsidiary of Tech Mahindra Limited, as strategic investor, pursuant to the CLB order dated April 16, 2009, your Company allotted 302,764,327 equity shares of Rs. 2 each at a premium of Rs. 56 per share, (31% of the paid up capital) aggregating to Rs. 17,560 Million. Further Venturbay exercised their right and subscribed for 198,658,498 shares (being shortfall in the open offer of 199,079,413 shares) of Rs. 2 each at a premium of Rs. 56 per share aggregating to Rs. 11,522 Million which were allotted on July 10, 2009, thereby increasing its holding to 501,843,740 shares representing 42.66% of the present issued and paid-up share capital of the Company.

Further 868,145 equity shares of Rs. 2 each were allotted to Associates upon exercise of options under the stock option plans of the Company. Consequently during the year under review, the paid-up share capital of the Company increased from Rs.1,348 Million divided into 673,894,792 equity shares of Rs. 2 each to Rs. 2,352 Million divided into 1,176,185,762 equity shares of Rs. 2 each.

### Human resources

To deal with the unfortunate situation that your Company found itself in, there was a need to bring in a healthy balance between revenues and expenses while retaining the key talent. Towards this objective, during the year under review, an innovative proposition called the 'Virtual Pool Program (VPP)' was launched. This one-time measure, was a humane and sensitive approach aimed to achieve the multiple objectives of cost reduction & resource optimization (from a business perspective) while ensuring job continuity for the affected Associates. This program allowed your Company to retain identified Associates at a reduced pay for up to six months, during which they were provided with assistance to re-skill themselves through your Company's learning infrastructure. Additionally, this unique program also provided your Company with a ready pool of talent to be utilized to meet current & emerging business requirements of the Mahindra Group Companies.

Associates on VPP were provided an opportunity to utilize this time to meet their personal aspirations and to enhance their skills and competencies through in-house and external forums. VPP Associates were also supported through Outplacement Services, Career & Financial Guidance, Coaching & Counselling assistance. While close to 7,500 Associates were placed on VPP, over 2,280 Associates have been recalled into active projects and engagements.

Given the unusual circumstances that your Company experienced in the previous Financial Year, there was an increased need to regain





Associates confidence and trust, develop young leaders, while re-skilling and equipping everyone for the needs of the future.

Accordingly, your Company focused on various initiatives, some of which were aimed at capability building – wherein young, exceptional talent within the Company are identified and groomed for key leadership positions. This was done through a series of initiatives such as -

1. Shadow Board: 9 promising youngsters were selected (from a large pool of nominees) to form a “Shadow Board”. Their mandate is to identify problem areas, source fresh ideas from the ‘front line’ and foster participation and involvement across all levels in arriving at workable solutions. This Board presents its findings on a monthly basis and apart from many noticeable interventions during this period. This Board will be remembered for crafting an integrated Healthcare Strategy for the HLS Vertical, which won them accolades at the Mahindra Group level.
2. Global Leadership Cadre (GLCs) : This program, which mirrored the model followed by Tech M, identified brilliant, proven youngsters through a rigorous four step selection process – from premier campuses as well as from within the organization – and launched them as an ‘elite force’ to tackle key organizational challenges including forays into New Markets, Cost Rationalization Measures or Launching New Offerings. In short, they represented the sharp end of the organization’s capability edge and were expected to accelerate the growth cause. They were provided with an intensive capability upgrade & fast tracked through experiential assignments and leadership interactions so as to find their way through the organizational ecosystem.

So as to empower associates at the grassroots and encourage distributed leadership, Location councils were set up in each city and authorized to make real time assessments and decisions as required, on the ground. This helped your Company to focus on growth, gather information and build justifications for investments, customize Associate delight initiatives and control attrition, while creating a pool of brand ambassadors and champions for various programs - notable amongst them being our Go-Green initiative.

The need of the hour during this year was increased Associate connect. This was achieved through physical meetings as well as through enhanced digital interventions. OIE (Online Interactive Ecosystem), ‘Face book’ equivalent on the intranet and CEO Blog have drawn a dramatic number of eyeballs and have been two of the Company’s most powerful initiatives this year. OIE enables Associates to connect, contribute, share thoughts, create their personal profiles, form groups based on common interests and stay in touch with each other within an informal environment. The CEO Blog serves a dual purpose - to provide Associates with a CEO’s perspective of the environment, industry, Company and brand aspects, which in turn has yielded favourable following through comments / posts.

In addition, several ‘touch-and-feel’ events such as Muzik Idol, Charity Rock Shows, Family Day etc. ushered in a sense of bonding and camaraderie.

Some noteworthy programs that aimed to co-opt the leadership in the transformation journey need special mention:

- I. A Game Changers Club was formed comprising of identified senior and mid level leaders who would play a critical role in achieving the Company’s two year growth plans. This program aligns the leaders personal Key Result Areas (KRAs) to four key parameters such as Growth, Profitability, Customer Delight and Associate Delight and guarantees a significant upside if results are met.
- II. A Technology Leadership Program was launched to regain and establish industry leadership in emerging technology tracks and integrate it as an important ingredient of the Associate’s career

planning. This initiative aims at creating technology leaders, who are admired and recognized across the industry for their ingenious thought leadership.

Your Company is deeply committed – now, even more than ever - to conduct business and achieve professional excellence, with integrity and ethical values. The Company would like to build and sustain a culture where ethical conduct is valued, recognized and exemplified, at all levels. Your Company believes that even in the face of tough competition, it is possible to delight the customers and stakeholders without compromising on principles. Your Company’s Code of Ethical Business Conduct has been revamped, to guide while dealing with associates, customers, investors, governments, regulators and society. The revised Code was institutionalized through various training programs as well as mandatory certifications for a common understanding on the Mahindra Satyam Way.

Along with this, the Whistle Blower policy was also revamped and a Corporate Ombudsman was appointed to provide the necessary safeguards for protection of employees from reprisals or victimization, for whistle blowing in good faith - a critical means through which Stakeholders can raise actual or suspected violations. Mahindra Satyam has clearly articulated to its stakeholders that any behaviour or practice, which may be (or suspected to be) unethical / illegal / inappropriate or harmful to the Company, should be brought to the notice of the Ombudsman for immediate resolution. The Corporate Ombudsman reports periodically to the Board on the status of the complaints.

The total number of Associates in your Company as on March 31, 2010 was 23,596 against 41,267 on March 31, 2009. The Company recruited over 2,314 Associates during the financial year including 853 Engineer Trainees.

## Infrastructure

During the year 2009-10, your Company has recommenced construction activities in Hyderabad and Chennai SEZ Campus for creation of 10,348 additional seats. Your Company has also occupied a Built to suit campus constructed by Multimedia Development Corporation (MDEC) in Kuala Lumpur, Malaysia. The leased facilities in Malaysia have been consolidated into this first Overseas Campus of your Company.

During the year under review, considering the available own Campus spaces, your Company surrendered 19,655 leased /rented spaces across various locations as part of the Space Consolidation process.

Your Company was allotted lands in different states for creation of development centers over a period of time. Considering the current requirement and the financial & other obligations associated with the allotment, your Company surrendered lands at Kolkata and Gandhinagar and has taken steps to surrender lands at Madurai and Nagpur.

## Green Initiatives

Green initiative was started with intent of “Meeting the needs of the present without compromising the ability of future generations to meet their own needs”. The initiative is started with the vision statement: *‘Green Initiative’ at Mahindra Satyam aims at maximizing stake holder value, enhancing competitive advantage and ensuring internal customer delight; by adhering to Global Reporting Initiative (GRI) environmental guidelines and deploying environmental friendly processes at work.*”

## Quality

Your Company’s core value of “Quality Focus” emphasizes making quality a driving value in the work, products, services and interactions with all the customers. Your Company maintained its incessant focus on both continuous process improvements and Customer Delight, all through the year under review. The Quality Management System

(QMS) and delivery framework have been enhanced by aligning with Mahindra Satyam Vision and Core Values. The QMS establishes company-wide processes to implement Quality and continuously improve organizations' process capability.

During October 2009, your Company has successfully completed the external recertification audit, conducted by TUV India, for three standards, viz., (a) ISO 27001: 2005 (Information Security Management System), (b) ISO 20000:2005 (IT Service Management) and (c) ISO 9001:2008 (Quality Management Systems) standards. All the delivery processes are in compliance with CMMI ver 1.2 from SEI-CMU. After successful Level 5 assessment of Hyderabad, Visakhapatnam and Bhubaneswar Delivery centers for CMMI ver 1.2, during the year under review, your Company has initiated CMMI ver1.2 Level 5 assessment for Bangalore, Chennai and Pune Delivery centers. These external certifications are testimony of the robustness of business processes and at large the quality culture imbibed by every Associate.

Your Company maintained commitment to Health, Safety and Environment by continuously improving the processes related to Health Safety & Environment (HSE) in accordance with ISO 14001 and OHSAS 18001 standards. As part of ongoing efforts to reinforce the quality culture and customer orientation, your Company is driving Quality Management Systems (QMS) certification for all Associates. Your Company has a comprehensive Delivery Framework integrating both Program and Project management processes. During the year your Company has launched program workbench, automating program management processes which enable delivery view at the level of the program manager, providing near real-time dashboards and reports for effective tracking of delivery. Your Company has redesigned the program and project management training and certification to be in alignment with Delivery Framework with over 84% of the Program Managers certified internally.

Your Company has a comprehensive Business Continuity and Disaster Recovery framework, as per BS 25999, in place to prevent and contain potential business disruptions in the event of any disaster. It can quickly resume services to customers' acceptable service levels.

Your Company implemented 168 projects in Six Sigma methodology for new process definitions and solutions to business problems. During the past one year, 192 associates are certified as Green Belts, Black Belts and Master Black Belts and 168 Associates have been certified as Mahindra Satyam function point champions.

## Awards and recognitions

The following are the recognitions your Company earned during the period under review:

- "Excellence In Practice" recognitions for learning by American Society for Training & Development (ASTD)
- Declared as Voice-Ready partner for Microsoft Unified Communications
- Moved up to be among the Top 10 in Training Top 125 list by Training Magazine
- Awards for excellence in Leadership Development, Marketing & Communications of Brand Value of Learning and Strategic Alignment of Learning to Business Strategies by Corporate University Xchange (CorpU)
- Progressive Manufacturing 100 Award for Rain CII Carbon by Managing Automation Media

## Corporate Governance

A report on Corporate Governance, along with a certificate for compliance with the Clause 49 of the Listing Agreement issued by the Practising Company Secretary is provided elsewhere in the Annual Report.

## Subsidiaries

Ministry of Company Affairs vide their letter dated August 25, 2010, granted approval under Section 212 (8) of the Companies Act, 1956 exempting your Company from attaching the documents of seventeen subsidiaries as specified under Section 212 (1) of the Companies Act, 1956. Accordingly, the said documents are not attached to the Balance Sheet. However, the said documents are available for inspection by the members at the registered office of the Company. The members interested in obtaining the said documents may write to the Company Secretary at the registered office of the Company.

### Satyam Venture Engineering Services Private Limited (SVES)

SVES was incorporated as a joint venture between your Company and Venture Global Engineering LLC (VGE) USA, to provide engineering services and computer services to the automotive industry. The Company and VGE had equal stake in SVES. On account of a dispute between the parties, the Company invoked the arbitration clause in the shareholder agreement and submitted the dispute to the London Court of International Arbitration (LCIA).

The Arbitrator gave an award dated April 3, 2006 in favour of the Company. The Company filed for enforcement and recognition of the award before the District Court of Michigan, U.S.A. The District Court on July 31, 2006 directed enforcement of the award and the Sixth Grant Court of Appeals in US on May 25, 2007 affirmed it. On April 28, 2006, while the proceedings were pending in the USA, VGE also filed a suit before the District Court of Secunderabad in India for setting aside the award dated April 3, 2006. The District Court of Secunderabad and the High Court of Andhra Pradesh dismissed VGE's petition for setting aside the award. On an appeal by VGE, the Supreme Court of India on January 10, 2008, set aside the orders of the District Court and the High Court and remanded the matter back to City Civil Court, Hyderabad for hearing on merits. The Supreme Court also directed status quo with regard to transfer of shares till the disposal of the suit.

On January 17, 2008, the District Court of Michigan held VGE in contempt for its failure to honour the award and amongst others directed VGE to dismiss its Board members and replace them with individuals nominated by the Company. The order of the District Court of Michigan in contempt proceeding was affirmed by the Sixth Court of Appeals on April 9, 2009. Following this VGE has appointed the Company's nominees on the Board of SVES and SVES confirmed the appointment at its Board meeting held on June 26, 2008. The Company is legally advised that SVES became its subsidiary under Section 4(2)(c) of the Companies Act, 1956 with effect from June 26, 2008. The approval granted under Section 212(8) of Companies Act, 1956 by the MCA exempting your Company from attaching the documents of subsidiaries as referred herein above is exclusive of SVES. Subsequent to the said approval the Company has made an application to the MCA seeking exemption from attaching the documents of SVES, as specified under Section 212(1) of the Companies Act, 1956. If the approval is granted, the said documents for SVES are not required to be attached with the balance sheet of the Company.

VGE also sought to file an application for bringing additional pleadings on record in the matter pending before the City Civil Court which allowed VGE's application. As the High Court of Andhra Pradesh allowed the Company's appeal against the order of the City Civil Court, VGE appealed against the order of the High Court to the Supreme Court. The Supreme Court on August 11, 2010 allowed VGE's application to bring on record additional pleadings. The matter is pending before the City Civil Court, Hyderabad.



## Social programs

Creating value for the society is an integral part of Mahindra Satyam's business, and contributing to the well being and development of the society is considered as an obvious extension of what Mahindra Satyam does.

Mahindra Satyam mission of bridging the increasing gap for the underprivileged in the urban areas is carried out through its CSR arm Mahindra Satyam Foundation. During the year under review Mahindra Satyam Foundation chose to focus its activities in the core areas of – Education, Health, Livelihoods, Empowerment for Persons with Disability and Environment (corporate). The detailed activities of Mahindra Satyam Foundation during the year are given elsewhere in this Annual Report.

## Fixed deposits

Your Company did not accept any deposits during the year under review.

## Directors

Your Board co opted the nominees of Venturbay Mr. Vineet Nayyar, Mr. Ulhas N. Yargop Mr. C. P. Gurnani and Mr. Sanjay Kalra, as Additional Directors, effective May 27, 2009.

Mr. Vineet Nayyar and Mr. C. P. Gurnani were appointed as Whole-time Directors of your Company with effect from June 01, 2009 and June 23, 2009 respectively.

Pursuant to the communication received from Ministry of Corporate Affairs, Government of India, Mr. Kiran Karnik, Mr. Deepak S. Parekh, Mr. Tarun Das and Mr. S. B. Mainak ceased to be the Directors on the Board of the Company with effect from July 17, 2009.

Your Company appointed Mr. M. Damodaran, former Chairman of the Securities and Exchange Board of India (SEBI) and Mr. Gautam S. Kaji, former Managing Director for operations, World Bank as Additional Directors on December 9, 2009.

Mr. Sanjay Kalra, the nominee Director of Venturbay has submitted his resignation from the directorship of your Company on August 27, 2010.

The Additional Directors appointed pursuant to Section 260 of the Companies Act, 1956 shall hold office till the date of ensuing Annual General Meeting (for the FY 2008-09) and the notice for the said meeting contains resolutions for their appointment as Directors.

Mr. Ulhas N. Yargop, Director shall retire by rotation at the Annual General Meeting for the FY 2009-10 and is eligible for re-appointment.

## Auditors

Pursuant to the Hon'ble CLB orders dated July 6, 2009 and October 15, 2009 and the recommendation of the Audit Committee, on December 9, 2009 the Board appointed M/s Deloitte Haskins & Sells (DHS) as your Company's statutory auditors for the Financial Years 2008-09 and 2009-10. Further, CLB ordered on June 30, 2010 that the said appointment of statutory auditors shall be valid till the conclusion of Annual General Meeting for the year 2009-10. While your Directors seek ratification for their appointment in the Annual General Meeting for the year 2008-09, recommend their appointment as statutory auditors at the Annual General Meeting for the year 2009-10.

The information and explanations on the qualifications and adverse remarks contained in the audit report are provided in detail in the Schedule 18 - Notes to Accounts. Your Board opines that no further explanation is required in this regard.

## Legal matters:

### Alleged Advances

The erstwhile Chairman in his letter dated January 07, 2009, among

others, stated that the balance sheet as of September 30, 2008 carried an understated liability of Rs. 12,304 Million on account of funds arranged by him. Subsequently, your Company received legal notices from thirty seven Companies claiming repayment of Rs. 12,304 Million allegedly given as temporary advances and also damages/compensation @ 18% per annum from the date of advance till the date of repayment.

The Directorate of Enforcement is investigating the matter under the Prevention of Money Laundering Act, 2002 and directed the Company to furnish details with regard to the alleged advances and has further directed the Company not to return the alleged advances until further instructions.

These thirty seven Companies also have filed suits before City Civil Courts, Secunderabad for recovery against the Company with a prayer to file as an indigent person. Your Company is contesting the claims for recovery filed as indigent petitions/suits by these companies.

More details are provided in Note 6.1 of Schedule 18 - Notes to Accounts.

### Upaid Systems Limited (Upaid)

The legal proceedings initiated against your Company by Upaid in the United States District Court for the Eastern District of Texas, for alleged forgery of documents, sought damages exceeding USD 1 Billion for fraud and forgery in addition to other punitive damages, fees and costs.

Your Company entered into Settlement Agreement with Upaid for an amount of USD 70 Million, requiring Upaid to grant to your Company perpetual worldwide royalty free licence on all its patents and providing for the dismissal with prejudice of all pending actions. Accordingly your Company deposited Rs. 3,274 Million towards the settlement amount of USD 70 Million into the escrow account.

Subsequently, the Company obtained a favourable ruling against Upaid from the Supreme Court of the State of New York, USA declaring that that Upaid was solely responsible for any tax liability under Indian law in respect of the settlement amount. Upaid has filed an application before the Authority for Advance Rulings seeking a binding advance ruling under the Income Tax Act, 1961 (IT Act), for taxability of the above mentioned payment. The order of the Authority for Advance Rulings has not been delivered till date.

Pending resolution of dispute, the Texas Action is currently adjourned.

More details are provided in Note 6.2 of Schedule 18 - Notes to Accounts.

### Class Action Complaints

#### i. Class Action Complaint

Subsequent to the letter by the erstwhile Chairman, a number of persons claiming to have purchased the Company's securities filed class action lawsuits in various courts in the USA alleging violations of the anti-fraud provisions of the Securities Exchange Act of 1934. The Company, the former officers, Directors and former auditors of the Company, Maytas Infra Limited and some of its Directors, Maytas Properties Limited and some of its Directors are named as defendants in these lawsuits. The lawsuits were consolidated into a single action (the 'Class Action') in the United States District Court for the Southern District of New York (the 'Court').

The Class Action Complaint seeks monetary damages to compensate the Class Members for their alleged losses arising out of their investment in the Company's common stock and ADS during the Class Period.

#### ii. On November 13, 2009, a trustee of two trusts that are assignees of the claims of twenty investors who purchased the Company's ADS or common stock (prior to the aforementioned letter by the erstwhile Chairman of the Company) and who sold their ADS or

common stock after the confession, filed a complaint against the Company, its former auditors and certain other individuals (the 'Action') on grounds substantially similar to those contained in the Class Action Complaint mentioned above. The Action, which has been brought as an individual action, was filed after the consolidation of various class action lawsuits. The complaint filed in the Action alleges that the losses suffered by the twenty investors, for which recovery is sought, is over USD 68 Million.

iii. Consolidation of Class Action Complaint and the Action

The Action was transferred to the Court in the Southern District of New York for pre-trial consolidation with the Class Action Complaint.

Your Company is contesting the above law suits.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are provided in Annexure - A which forms part of this report.

### Employee particulars

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules 1975 as amended forms part of this report. However, in pursuance of Section 219(1)(b)(iv) of the Companies Act, 1956, this report is being sent to all the shareholders of the Company excluding the aforesaid information and the said particulars are made available at the registered office of the Company. The members interested in obtaining information under Section 217 (2A) may write to the Company Secretary at the registered office of the Company.

### Directors' Responsibility Statement

As required by the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is attached as Annexure - B to this report.

### Associate Stock Option Plan (ASOP)

As required by clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the particulars of the Stock option plans of your Company is provided as Annexure - C to this report.

### Acknowledgements

Your Directors gratefully acknowledge the continuous support to the Company by the Government of India, various State Governments and other regulatory bodies.

Your Company is extremely privileged for the confidence reposed by all the customers and partners.

The Company is thankful to its investors, vendors, banks and other service providers for their continued support.

The Board of Directors places on record its sincere appreciation for all the Associates for their dedication, commitment and contribution which allowed your Company to sustain a difficult and challenging period.

For and on behalf of the Board of Directors

Place : Hyderabad  
Date : September 29, 2010

Vineet Nayyar  
Chairman

## Annexure 'A' to the Directors' report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### A) Details of Conservation of Energy:

Your Company uses electrical energy for its equipment such as air-conditioners, computer terminals, lighting and utilities at work places. As an ongoing process, we continue to undertake the following measures to conserve energy:

- Incorporating new technologies in the air-conditioning system in upcoming facilities to optimise power consumption.
- Identification and replacement of low-efficient machinery (AC) in a phased manner.
- Identification and replacement of outdated and low-efficient UPS systems in a phased manner.
- Conducting continuous energy-conservation awareness and training sessions for operational personnel.

### B) Technology Absorption: The details are given below:

#### (a) Research and Development (R&D) :

- 1) *Specific areas in which R&D work has been done by the Company and benefits expected:*

The Company believes that domain based innovation and process related innovation lay a solid foundation to meet and exceed customer and investor expectations.

Domain based innovations help our customers in enhancing their products/services, and achieving significant time/cost reductions. Innovation led artifacts add to the IP assets of the Company and provide an opportunity to create market led solutions fairly and regularly.

Your Company is creating IPs (includes patentable innovations) and solutions and focuses on collaborative innovation by co-working with the customer R&D labs and academia.

The research and development activities will help your Company to gear for future opportunities and focused to provide unique benefits to the customers and other stakeholders by working both proactively (self-driven research) and reactively (customer-driven research). The vision is to be recognized as an R&D partner in selected areas of Communication and Computation leading to the design and development of algorithms. The objectives are to (a) carry out applied research in the areas that are closely related to the business objectives of our Company; (b) create tangible IP artefacts; (c) present and publish papers in international conferences; (d) publish papers in refereed journals; (e) file patent applications, mostly in USPTO; and (f) help build market led showcase and market ready solutions based on research results.





During the year under review,

- Your Company filed four patent specifications (multimedia analysis – two, content targeting – one, enterprise system – one) and filed response to ten office action reports related to Company filed patent applications filed in USPTO; during the year, four of the invention disclosures got granted by USPTO and received notice of allowance for two of the patent applications; further, the examiner indicated the subject matter allowability for two of the patent applications; and
- The Company continued the work to shape and enhance two demo-ready solutions, namely, Fire Suite and PmTarget that address the niche market space requirements.

Your Company published two hundred and two technical papers in international conferences and journals, and have filed thirty three patent applications. Also, totally, eight of the invention disclosures got granted by USPTO, two of the patent application obtained notice of allowance, and additionally, two patent applications are indicated for subject matter allowability. Thus, the Company have a grant visibility for twelve of the filed thirty three invention disclosures in USPTO. In order to expand the reach of technology and expertise, your Company collaborated with academic institutions and research laboratories, both within India (Indian Institute of Science, Bangalore and Indian Institute of Technology, Bombay, and abroad (mostly in USA).

- 2) *Future plan of action:* During the year 2010-11, your Company will continue its applied research focus in the areas of Telecom, Tech Infrastructure, and Media & Entertainment to create reusable IP artefacts and build reusable solutions around the created IPs. The Company is planning to publish technical papers and file patent applications as a basis for the solutions under consideration and development to develop prototypes for demonstration purposes. Furthermore, your Company plans to undertake customer driven research activities leading to the state-of-the-art solutions for the customers.

3) *Expenditure on R&D*

- |  |                  |
|--|------------------|
| a. Capital   | : Rs. Nil        |
| b. Recurring   | : Rs. Nil        |
| c. Total   | : Rs. Nil        |
| d. Total R&D expenditure as a percentage of total turnover | : Not Applicable |

**b) Technology Absorption, Adaptation and Innovation:**

1. *Efforts made towards technology absorption, adaptation and innovation and benefits derived as a result of the above efforts:*

The algorithms and systems developed as part of the applied research activities are used to build showcase solutions. The technology and domain knowledge obtained during R&D work, and algorithms, frameworks, and solutions developed as part of R&D work are quite useful in effectively executing customer projects. Further, the algorithms are also to be used as part of demo software and solutions such as (a) ad targeting; (b) context aware mobile solutions; (c) proxy systems, and (d) rich media spam and leak for IPS/IDS systems. These solutions lay a strong foundation for the business unit's service offerings.

2. *Information about imported technology:* Nil

**C) Foreign Exchange Earning and Outgo**

1. Initiatives like increasing exports, etc. to increase foreign exchange : 95.40% of total development of new export markets revenue of the company are from exports
2. Foreign exchange earned (on accrual basis) : Rs. 49,494 Million
3. Foreign exchange outgo (on accrual basis) : Rs. 27,906 Million

## Annexure 'B' to the Directors' report

### DIRECTORS' RESPONSIBILITY STATEMENT

To the Members

We the Directors of Satyam Computer Services Limited confirm the following:

- i. The applicable accounting standards had been followed along with proper explanation relating to material departures in the preparation of the annual accounts;
- ii. The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- iii. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records for the year in

accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, taking into account the financial irregularities identified in Note 3, regulatory non-compliances / breaches identified in Note 8 and deficiencies in financial reporting process identified in Note 9 of Schedule 18 - Notes to Accounts.

- iv. The Directors had prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors

Place : Hyderabad  
Date : September 29, 2010

Vineet Nayar  
Chairman

## Annexure 'C' to the Directors' report

### Associate Stock Option Plan (ASOP)

The details of Associate Stock Option Plans (ASOP) are given below.

Particulars	ASOP – A	ASOP – B	ASOP – ADS	ASOP – RSUs	ASOP – RSUs (ADS)
(a) No. of options granted during the year	Nil	13,721,385	1,316,991	Nil	10,182
(b) The pricing formula:	Refer foot note 1	Refer foot note 2	Refer foot note 2	Refer foot note 3	Refer foot note 3
(c) The maximum vesting period	3 years	5 years	5 years	5 years	5 years
(d) Options vested during the year	4,845	Nil	30,900	776,441	188,072
(e) Options exercised during the year	Nil	4,806	Nil	581,245	141,047
(f) The total number of shares arising as a result of exercise of options during the year.	Nil	4,806	Nil	581,245	282,094
(g) Options cancelled/lapsed.	7,315	4,669,831	828,581	853,420	131,250
(h) Variation of terms of options.	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
(i) Total number of options in force	3,500	21,165,822	1,685,330	1,333,308	233,060
(j) Money realised by exercise of options on receipt basis					Rs. 2.193 Million
k) Employee-wise details of options granted to					
(i) Key management personnel during the year					Nil
(ii) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year.					Nil
(iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.					Nil
l) Diluted Earnings Per Share (EPS) (on par value of Rs. 2 per share) calculated in accordance with Accounting Standard 20.					Rs. (0.65)
m) In accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, had 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 your Company's net profit and earnings per share would have been as follows:					

Particulars	Year ended March 31,	
	2010	2009
<b>1. Net (Loss) after Taxation and before Non-recurring/ Extraordinary Items</b>		
- As reported (Rs. in Million)	(712)	(79,352)
- Proforma (Rs. in Million)	(982)	(79,412)
<b>2. Earnings per share:</b>		
<b>Basic</b>		
- No. of shares	1,093,000,622	673,014,491
- EPS as reported (Rs)	(0.65)	(117.91)
- Proforma EPS (Rs)	(0.90)	(117.99)
<b>Diluted</b>		
- No. of shares	1,093,000,622	673,014,491
- EPS as reported (Rs)	(0.65)	(117.91)
- Proforma EPS (Rs)	(0.90)	(117.99)



- n) Weighted-average exercise prices of stocks and weighted-average fair values of options, separately for options whose exercise price is either equals or exceeds or is less than the market price of the stock:

Options	Weighted average exercise price	Weighted average fair value
ASOP-A	-	-
ASOP-B	101.47	72.53
ASOP ADS	1,005.00	192.12
ASOP RSU	-	-
ASOP RSU ADS	4.00	178.61

Rs.

- o) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:

The fair value of options has been calculated by using Black Scholes' method. The assumptions used in the above are:

S. No	Particulars	ASOP-A	ASOP-B	ASOP ADS	ASOP RSU	ASOP RSU ADS
1.	Risk-free interest rate	-	7.75%	7.75%	-	7.75%
2.	Expected life (years)	-	3.5 - 6.5	3.5 - 6.5	-	3.5 - 6.5
3.	Expected Volatility	-	83.78% - 108.86%	103.97% - 135.24%	-	133.62%
4.	Expected dividends	-	0.56% - 0.92%	0.56% - 0.92%	-	0.56%

5. The price of the underlying share in market at the time of option grant:

Grant Date	ASOP-B	ASOP ADS	ASOP RSU	ASOP RSU ADS
10.07.2009	-	-	-	92.26
02.11.2009	102.10*	120.89	-	-
03.02.2010	101.80	117.86	-	-

Rs.

\*Since there was no trade on November 2, 2009, the closing price of October 30, 2009 was considered.

**Notes:**

- 1) The Trust exercised all the earmarked shares @ Rs. 450/- each by obtaining loans in the year 1999. Accordingly, the warrants were granted at Rs.450/- each plus the interest computed based on fixed interest rate of 14.25% p.a. Each warrant entitles the grantee with 20 equity shares of Rs.2/- each fully paid up duly adjusted for Bonus issues in 1999 & 2006 and stocks split in August 2000.
- 2) 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  
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; whichever is higher.
- 3) Not less than the face value of the equity shares or such other price as may be calculated in accordance with the applicable statutory rules, regulations, guidelines and laws, on the date of grant.



## Report on Corporate Governance

### Company's Philosophy

Satyam Computer Services Limited ('Mahindra Satyam') defines its stakeholders as its Customers, Associates, Investors and the Society at large. At the core of the Company's philosophy lies its focus on customer centricity and the goal of ensuring stakeholder delight at all times through innovative solutions and services, thereby fulfilling the role of a responsible service provider, committed to best practices. The Company understands that in order to realize this vision and become a global top-tier consulting and technology services Company, it needs to achieve industry leading benchmarks in Corporate Governance, delivery excellence and employee satisfaction. The Board is responsible for setting the strategic objectives for the Management and ensuring that stakeholders' long-term interests are served. The Management in turn is responsible for establishing and implementing policies, procedures and systems to enhance the long-term value of the Company and delight all its stakeholders.

*The vision of Mahindra Satyam is - To be the world's most valued 'ICT' Company.*

Value to the Company is not just shareholder value. It is the intrinsic goodwill and respect that the Company earns from the various stakeholders associated with the Company. The Company aims to enable global businesses become more effective through a combination of its IT, Communication and Engineering and BPO services – all tenets of sustainable ICT - Information, Communication and Technology.

### Board of Directors

Mahindra Satyam's current policy is to have optimum combination of Executive and Non-executive Directors, to ensure the Board functions independently.

#### Composition and Category of Directors:

Name	Category	Designation	No. of meetings during the year <sup>4</sup>		No. of Directorships in other companies <sup>6</sup>	No. of Committee positions in other companies <sup>7</sup>		Attendance at last Annual General Meeting <sup>8</sup>
			Held	Attended		Member	Chairperson	
Mr. Vineet Nayyar <sup>1</sup>	Chairman	Director	10	5	7	1	0	NA
Mr. C. P. Gurnani <sup>1</sup>	Whole-time Director & CEO	Director	10	3 <sup>5</sup>	3	-	-	NA
Mr. C. Achuthan	Independent Director	Government Nominee Director	10	9	2	1	-	NA
Mr. T. N. Manoharan	Independent Director	Government Nominee Director	10	8	3	1	1	NA
Mr. M. Damodaran <sup>3</sup>	Independent Director	Director	10	1	5	2	1	NA
Mr. Gautam S. Kaji <sup>3</sup>	Independent Director	Director	10	5	1	1	0	NA
Mr. Ulhas N. Yargop <sup>1</sup>	Non-Executive Director	Director	10	5	7	2	3	NA
Mr. Sanjay Kalra <sup>1</sup>	Non-Executive Director	Director	10	5	1	-	1	NA
Mr. Kiran Karnik <sup>2</sup>	Independent Director	Government Nominee Director	10	7	2	1	-	NA
Mr. Deepak S. Parekh <sup>2</sup>	Independent Director	Government Nominee Director	10	5	12	2	5	NA
Mr. Tarun Das <sup>2</sup>	Independent Director	Government Nominee Director	10	5	1	-	-	NA
Mr. S. B. Mainak <sup>2</sup>	Independent Director	Government Nominee Director	10	7	1	-	-	NA

<sup>1</sup>Nominee Directors of Venturbay Consultants Private Limited, wholly owned subsidiary of Tech Mahindra Ltd. appointed on May 27, 2009, pursuant to the Hon'ble Company Law Board order dated April 16, 2009.

<sup>2</sup>Government of India withdrew four nominee Directors effective July 17, 2009.

<sup>3</sup>Appointed on December 09, 2009.

<sup>4</sup>Meetings were held on April 03, April 09, April 13, April 20 & 21, May 22, June 11, July 10, September 04, December 09, 2009 and February 03, 2010.

<sup>5</sup>In addition participated in one meeting through audio conference.

<sup>6</sup>Excludes private companies, foreign companies, companies registered under Section 25 of the Companies Act, 1956 and alternate Directorships.

<sup>7</sup>Represents Audit Committee and Investors' grievance Committee in public limited companies.

<sup>8</sup>NA- Not applicable. Pursuant to the Hon'ble Company Law Board order dated June 30, 2010, the Annual General Meeting for the FY 2008-09 is being held together with the Annual General Meeting for the FY 2009-10.

### Audit Committee

The Audit Committee was constituted with all Independent Directors.

The functions of Audit Committee include:

1. Oversight of the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of engagement and payment to statutory auditors for any other non-audit services rendered by the statutory auditors.
4. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.



5. Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
6. Reviewing and approval of the internal audit scope and plan.
7. Reviewing adequacy of internal audit function including structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

**Composition and other details:**

Name	Category	No. of meetings	
		Held	Attended
Mr. T. N. Manoharan	Independent Director	6	6
Mr. C. Achuthan	Independent Director	6	6
Mr. S. B. Mainak (upto 17.07.2009)	Independent Director	6	1
Mr. M. Damodaran (Effective 09.12.2009)	Independent Director	6	1
Mr. Gautam S. Kaji (Effective 09.12.2009)	Independent Director	6	1

Mr. T. N. Manoharan is the Chairman of the Audit Committee.

Meetings were held on June 11, September 04, December 09, December 21, 2009, February 27 and March 24, 2010.

**Compensation Committee**

The Compensation Committee was constituted of Independent and Non-executive Directors. The Compensation Committee evaluates compensation and benefits for Executive Directors and frames policies and systems for Associate Stock Option Plans.

**Composition and other details:**

Name	Category	No. of meetings	
		Held	Attended
Mr. C. Achuthan	Independent Director	1	1
Mr. T. N. Manoharan	Independent Director	1	1
Mr. Ulhas N. Yargop (Effective from 04.09.2009)	Non-executive Director	1	1
Mr. Kiran Karnik (upto 17.07.2009)	Independent Director	1	0
Mr. Deepak S. Parekh (upto 17.07.2009)	Independent Director	1	0
Mr. Tarun Das (upto 17.07.2009)	Independent Director	1	0
Mr. S. B. Mainak (upto 17.07.2009)	Independent Director	1	0

Mr. C. Achuthan is the Chairman of the Compensation Committee.

Meeting held on February 03, 2010.

**Details of remuneration to Directors**

1. No remuneration was paid by the Company to Executive Directors viz., Mr. Vineet Nayyar, Chairman and Mr. C.P. Gurnani, Whole-time Director & CEO.
2. No sitting fee was paid to Non-executive / Independent Directors for attending Board / Committee meetings till November, 2009.
3. No Stock Options were granted to Directors during financial year 2009-10.
4. Effective December 2009, sitting fee was paid @ Rs. 20,000 for attending each Board / Committee meeting.

S.no.	Name	Rs.
		<b>Sitting fee</b>
1	Mr. C. Achuthan	1,60,000
2	Mr. T. N. Manoharan	1,40,000
3	Mr. M. Damodaran	40,000
4	Mr. Gautam S. Kaji	20,000*
5	Mr. Ulhas N. Yargop <sup>1</sup>	80,000
6	Mr. Sanjay Kalra <sup>2</sup>	40,000

\* Subsequent to the year-end.

<sup>1</sup>Sitting fee was paid to Mahindra & Mahindra Limited.

<sup>2</sup>Sitting fee was paid to Tech Mahindra Limited.

## Investors' Grievance Committee

The Investors' Grievance Committee focuses on shareholders' grievances and strengthening of investor relations, specifically looking into redressal of grievances pertaining to:

- 1) Transfer of shares
- 2) Dematerialisation / Rematerialisation of shares
- 3) Replacement of lost / stolen / mutilated share certificates
- 4) Non-receipt of rights / bonus / split share certificates
- 5) Non-receipt of notices / documents / Annual reports
- 6) Dividends
- 7) Other related issues

### Composition and other details

Name	Category	No. of meetings	
		Held	Attended
Mr. C. Achuthan	Independent Director	1	1
Mr. C. P. Gurnani (Effective from 04.09.2009)	Whole-time Director & CEO	1	0
Mr. Ulhas N. Yargop (Effective from 04.09.2009)	Non-executive Director	1	1
Mr. T. N. Manoharan (Upto 04.09.2009)	Independent Director	1	0
Mr. Kiran Karnik (Upto 17.07.2009)	Independent Director	1	0
Mr. Deepak S. Parekh (Upto 17.07.2009)	Independent Director	1	0
Mr. Tarun Das (Upto 17.07.2009)	Independent Director	1	0
Mr. S. B. Mainak (Upto 17.07.2009)	Independent Director	1	0

Mr. C. Achuthan is the Chairman of the Investors' Grievance Committee.

Meeting held on February 27, 2010.

### Others

- i) Name and designation of compliance officer: Mr. G. Jayaraman, Company Secretary
- ii) Details of investor complaints during the year 2009-10:

Received	Resolved	Pending
58	58	0

- iii) Members may contact the Secretarial Circle of the Company for their queries, if any, at: +91 40 3063 6363/3067 5022 and Fax: +91 40 2311 7011.

### Venue and time of the last three AGMs

Date	Venue	Time	No. of special resolutions
August 26, 2008	Sri Sathya Sai Nigamagamam (Kalyana Mandapam), 8-3-987/2, Srinagar Colony, Hyderabad - 500 073	11.00 a.m.	One
August 30, 2007	Harihara Kalabhavan, MCH complex, S.P. Road, Secunderabad - 500 003	11.00 a.m.	None
August 21, 2006	Sri Sathya Sai Nigamagamam (Kalyana Mandapam), 8-3-987/2, Srinagar Colony, Hyderabad - 500 073	11.00 a.m.	Four

There were no resolutions passed through postal ballot during the year 2009-10.

Pursuant to the Hon'ble Company Law Board order dated June 30, 2010 the Annual General Meeting for the FY 2008-09 is being held together with the Annual General Meeting for the FY 2009-10.

### Disclosures

There have been no materially significant related party transactions, i.e., transactions material in nature, with its promoters, the Directors or the management, their subsidiaries or related parties except those disclosed in the financial statements for the year ended March 31, 2010.

Related parties has been identified to the extent of the information available with the Company. However, there may be additional related parties whose relationship would not have been disclosed to the Company and, hence, not known to the Management.

On January 07, 2009, in a communication ('letter') addressed to the then existing Board of Directors of the Company and copied to the Stock Exchanges (Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd) and the Chairman of the Securities and Exchange Board of India,



the erstwhile Chairman of the Company, Mr. B.Ramalinga Raju admitted that the Company's balance sheet as at September 30, 2008 carried an inflated cash and bank balances, non-existent accrued interest, an understated liability and an overstated debtors position. As per the letter, the gap in the balance sheet has arisen purely on account of inflated profits over a period of last several years (Limited only to Satyam Standalone). Various regulators such as the Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO)/Registrar of Companies (ROC), Securities and Exchange Board of India (SEBI), Directorate of Enforcement (ED) etc., have initiated their investigation on various matters pertaining to the Company which are ongoing. The CBI has initiated legal proceedings before the Additional Chief Metropolitan Magistrate for Trial of Satyam Scam Cases, Hyderabad (ACMM) and has filed certain specific charge sheets against the erstwhile Chairman and others based on its findings. The SFIO has submitted its reports relating to various findings and has also filed cases before the Economic Offences Court, Hyderabad against the Company and others.

On September 17, 2009, the Company received a 'Wells Notice' from the Division, which was a notification advising the Company that the Division had tentatively concluded that it would recommend to the Commissioners of the SEC that it files a civil suit against the Company, alleging fraud and other violations, and seeking permanent injunctions and monetary relief. As of date, the SEC has not made a determination regarding any staff recommendation in this matter. The outcome of this matter is not determinable at this stage.

Vide letter dated January 13, 2009, the erstwhile auditors of the Company, M/s Price Waterhouse, communicated to the Company, that their audit reports issued on the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon. Further, in view of the financial irregularities identified, the statements for the said period furnished under clause 41 of listing agreement with Indian Stock Exchanges might not reflect the true position. In addition there was a violation of the ESOP Guidelines issued by SEBI in respect of Accounting and Disclosure requirements relating to ASOP-A for which the Company is in the process of seeking condonation (Refer Notes 8.2 and 10 of Schedule 18 - Notes to Accounts). Except for these, there has not been any non-compliance by the Company and no penalties or strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

In addition, there have been certain regulatory non-compliances / breaches as identified in Note 8 of Schedule 18 - Notes to Accounts for which the Company is in the process of seeking condonation, wherever applicable.

Pursuant to sub-clause VII of clause 49 of the listing agreement, the Company confirms that it has complied with all the mandatory requirements prescribed. As regards non-mandatory requirements, the following are adopted:

1. Compensation Committee
2. Whistle Blower policy

The Company has adopted the Whistle Blower policy and affirms that no personnel have been denied access to the Audit Committee.

## Means of communication

The official press releases of the Company are promptly sent through facsimile to the Stock Exchanges where the Company's shares are listed and released to wire services and the press for information of the public at large and also posted on the Company's website.

The quarterly financial results were not published during the year as the Hon'ble CLB provided exemption from publication of quarterly financial results for the year 2009-10.

## General Shareholders information

- a) The AGM of the Company will be held on Tuesday, December 21, 2010 at 11.30 A.M. at Sri Sathya Sai Nigamagamam (Kalyana Mandapam), 8-3-987/2, Srinagar Colony, Hyderabad - 500 073.
- b) Tentative Financial calendar for the year 2010-11:  
Financial results for : First quarter - November 2010  
Second Quarter - November 2010  
Third Quarter - February 2011  
Fourth Quarter - May 2011
- c) Dates of book closure for AGM : December 20 and December 21, 2010 (both days inclusive)
- d) Registered office : Mahindra Satyam Infocity,  
Unit - 12, Plot No. 35/36,  
Hi-tech City layout, Survey No. 64,  
Madhapur, Hyderabad - 500 081, A.P.  
Phone: (91-40) 3063 6363/3067 5022  
Fax: (91-40) 2311 7011  
Web site: [www.mahindrasatyam.com](http://www.mahindrasatyam.com)  
Email: [investorservices@mahindrasatyam.com](mailto:investorservices@mahindrasatyam.com)

e) Listing details:

Particulars	Stock Exchanges	Depositories	ISIN/CUSIP*
Equity Shares	1. Bombay Stock Exchange Ltd, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001  2. The National Stock Exchange of India Limited, Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051	1. National Securities Depository Ltd. (NSDL)  2. Central Depository Services (India) Limited (CDSL)	INE275A01028
American Depository Shares (ADS)	**New York Stock Exchange, Inc. (NYSE) 20 Broad Street, New York, NY 10005.	Citibank N.A., New York	804098101
American Depository Shares (ADS)	NYSE Euronext Euronext Amsterdam N.V. #	Citibank N.A., New York	ISIN - US80408981016 Security Code : 617656

# Delisted effective 20.05.2009.

\* Committee on Uniform Securities Identification Procedures, (CUSIP) supplies unique nine-character identification, called a CUSIP number, for each class of security approved for trading in the U.S., to facilitate clearing and settlement. These numbers are used when any buy and sell orders are recorded.

\*\*The Board approved on September 24, 2010, the proposal to delist ADSs voluntarily from NYSE and move the trading to Pink OTC Markets, USA.

f) Listing fee for the financial year 2010-11 has been paid to all the Indian Stock Exchanges, where the shares of the Company are listed and listing fee to NYSE Euronext at USA has been paid for the calendar year 2010.

g) Stock Code:

1) BSE Code	:	500376
2) NSE Code	:	SATYAMCOMP
3) Reuters Code	:	SATY.BO (BSE); SATY.NS (NSE)
4) Bloomberg	:	SCS IN
5) ADS Symbol (NYSE)	:	SAY

h) The monthly high and low stock quotations during the financial year 2009-10 and performance in comparison to broad based indices are given below.

(i) Market Price and Indices data:

Month & Year	Price-BSE		SENSEX		Price-NSE		NIFTY		Price-ADS-NYSE		Dow Jones Index	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
	(Rs.)	(Rs.)			(Rs.)	(Rs.)			US\$	US\$		
Apr-09	54.90	38.00	11,492.10	9,546.29	56.00	38.05	3,517.25	2,965.70	3.48	1.57	8,383.81	7,450.74
May-09	58.00	43.20	14,930.54	11,621.30	57.95	43.50	4,509.40	3,478.70	2.25	1.75	8,657.96	8,047.54
Jun-09	88.45	52.85	15,600.30	14,016.95	88.95	52.75	4,693.20	4,143.25	5.49	2.23	8,911.11	8,236.07
Jul-09	109.50	66.75	15,732.81	13,219.99	109.70	66.60	4,669.75	3,918.75	5.35	3.10	9,298.13	8,057.57
Aug-09	123.80	96.70	16,002.46	14,684.45	124.35	96.65	4,743.75	4,353.45	6.81	5.02	9,666.71	9,078.28
Sep-09	128.35	112.55	17,142.52	15,356.72	128.65	115.15	5,087.60	4,576.60	6.93	5.85	9,937.72	9,223.08
Oct-09	119.90	100.05	17,493.17	15,805.20	119.90	100.00	5,181.95	4,687.50	6.67	4.42	10,157.94	9,378.77
Nov-09	120.75	83.05	17,290.48	15,330.56	120.60	82.35	5,138.00	4,538.50	5.78	4.13	10,524.40	9,647.06
Dec-09	112.00	90.25	17,530.94	16,577.78	113.80	90.55	5,221.85	4,943.95	5.26	4.38	10,605.65	10,207.29
Jan-10	120.85	96.50	17,790.33	15,982.08	120.90	96.50	5,310.85	4,766.00	6.00	4.69	10,767.15	10,014.35
Feb-10	104.00	93.00	16,669.25	15,651.99	103.95	93.00	4,992.00	4,675.40	5.46	4.77	10,468.55	9,822.84
Mar-10	102.60	92.35	17,793.01	16,438.45	102.65	92.20	5,329.55	4,935.35	5.78	5.13	10,985.26	10,320.05



ii) Monthly closing share price at BSE, NSE and NYSE vs. Monthly closing BSE Sensex, NSE Nifty and Dow Jones Index:

Month & year	BSE	Sensex	NSE	NIFTY	ADR	DJI
Apr-09	46.60	11,403.25	46.80	3,473.95	45.09	8,168.12
May-09	53.40	14,625.25	53.35	4,448.95	50.38	8,500.33
Jun-09	70.90	14,493.84	71.00	4,291.10	74.47	8,447.00
Jul-09	104.55	15,670.31	104.65	4,636.45	121.54	9,171.61
Aug-09	121.65	15,666.64	122.30	4,662.10	162.74	9,496.28
Sep-09	119.05	17,126.84	119.10	5,083.95	158.28	9,712.28
Oct-09	102.20	15,896.28	102.10	4,711.70	124.02	9,712.73
Nov-09	90.15	16,926.22	90.15	5,032.70	100.41	10,344.84
Dec-09	98.00	17,464.81	98.15	5,201.05	107.55	10,428.05
Jan-10	99.55	16,357.96	99.45	4,882.05	113.35	10,067.33
Feb-10	95.55	16,429.55	95.50	4,922.30	122.72	10,325.26
Mar-10	92.60	17,527.77	92.35	5,249.10	117.82	10,856.63

iii) Premium (%) on ADS at NYSE compared to share price quoted at NSE:

	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
a) ADS Price – US \$	1.80	2.12	3.11	5.04	6.66	6.58	5.29	4.33	4.61	4.89	5.30	5.22
b) ADS price-INR	45.09	50.38	74.47	121.54	162.74	158.28	124.02	100.41	107.55	113.35	122.72	117.82
c) NSE Share Price (Rs.)	46.80	53.35	71.00	104.65	122.30	119.10	102.10	90.15	98.15	99.45	95.50	92.35
d) Premium– (Rs.) (b/2-c)	-1.71	-2.97	3.47	16.89	40.44	39.18	21.92	10.26	9.40	13.90	27.22	25.47
e) Premium %	-3.65	-5.56	4.89	16.14	33.06	32.90	21.47	11.38	9.58	13.98	28.50	27.57

Each ADS represents two equity shares. The ADS price in US Dollar has been converted into Indian Rupees by applying monthly closing rates.

- i) The Company has in-house facilities for share transfers and redressal of related grievances, and in this regard, members may contact the Company Secretary, Satyam Computer Services Limited, Mahindra Satyam Infocity, Unit - 12, Plot No. 35/36, Hi-tech City layout, Survey No. 64, Madhapur, Hyderabad - 500 081, A.P. Phone: (91-40) 3063 6363/3067 5022, Fax: (91-40) 2311 7011, e-mail: investorservices@mahindrasatyam.com.
- j) The Company's shares are covered under the compulsory dematerialization list and are transferable through the depository system. As per the internal quality standards, the Company has established processes for physical share transfers.
- k) As on March 31, 2010, the distribution of the Company's shareholding was as follows:

Category (No. of shares)		No. of shareholders		No. of shares held (Rs.2/-)		% to total no. of shares	
From	To	Physical	Demat	Physical	Demat	Physical	Demat
1	500	738	599,881	154,339	73,461,244	0.01	6.25
501	1,000	716	42,145	682,310	33,737,123	0.06	2.87
1,001	2,000	1,615	21,052	3,180,320	32,582,466	0.27	2.77
2,001	3,000	172	6,461	488,598	16,597,494	0.04	1.41
3,001	4,000	196	3,137	772,000	11,405,021	0.07	0.97
4,001	5,000	11	2,135	51,400	10,067,349	0.00	0.86
5,001	10,000	72	3,428	515,690	25,075,388	0.04	2.13
10,001 & above		28	2,651	686,450	835,747,838	0.06	71.05
ADS		0	1	0	130,980,732	0.00	11.14
<b>Total</b>		<b>3,548</b>	<b>680,891</b>	<b>6,531,107</b>	<b>1,169,654,655</b>	<b>0.55</b>	<b>99.45</b>
<b>Grand Total</b>		<b>684,439</b>		<b>1,176,185,762</b>		<b>100.00</b>	

- l) Dematerialization of shares: The Company has the necessary infrastructure in-house for dematerialization of shares. As per the defined norms for dematerialization process, shares received for dematerialization are generally confirmed within a period of three working days from date of receipt, if the documents are clear in all aspects. As on March 31, 2010, 99.44 percent of outstanding shares of the Company are held in electronic form.
- m) The Company has earmarked 1,300,000 equity shares of Rs.10/- each fully paid up under ASOP-A administered through Satyam Associate Trust in 1998-99. The warrants outstanding as at March 31, 2010 are 3,500.

The Company has earmarked 58,146,872 equity shares under the Associate Stock Option Plan (ASOP) - B, 3,456,383 ADSs under ASOP - ADS and 13,000,000 equity shares under ASOP - RSUs and ASOP - RSUs (ADS). As on March 31, 2010, options outstanding under ASOP - B 21,165,822 ASOP - ADS 1,685,330 ASOP - RSUs 1,333,308 and ASOP - RSUs (ADS) 233,060. The vesting period and exercise period for the stock options shall be determined by the Compensation Committee, subject to the minimum vesting period being one year.

n) The addresses of global offices of the Company are given elsewhere in this report.

o) Address for correspondence:

Satyam Computer Services Limited, Mahindra Satyam Infocity, Unit - 12, Plot No. 35/36, Hi-tech City layout, Survey No. 64, Madhapur, Hyderabad - 500 081, A.P. Phone: (91-40) 3063 6363/3067 5022, Fax: (91-40) 2311 7011, e-mail: investorservices@mahindrasatyam.com.

p) Other useful information to shareholders:

- i) Pursuant to provisions of Section 205A of the Companies Act, 1956, the dividend declared by the Company which remains unclaimed for a period of seven years, shall be transferred by the Company to Investor Education & Protection Fund (IEPF) established by the Central Government under section 205C of the said Act.
- ii) The dividend for the financial years up to 2002-03 which remained unclaimed have been transferred by the Company to IEPF.
- iii) The due dates for transfer of unclaimed dividends to IEPF, pertaining to different financial years are given below. Members, who have not claimed the dividend for these periods are requested to lodge their claim with the Company, as no claim shall be entertained for the unclaimed dividends once transferred to IEPF.

Financial Year	Type of dividend	Book closure / Record date	Due date for transfer to IEPF
2003-2004	Interim	12.11.2003	29.11.2010
2003-2004	Final	19.07.2004 - 23.07.2004	29.08.2011
2004-2005	Interim	04.11.2004	25.11.2011
2004-2005	Final	18.07.2005 - 22.07.2005	27.08.2012
2005-2006	Interim	04.11.2005	24.11.2012
2005-2006	Final	16.08.2006 - 21.08.2006	26.09.2013
2006-2007	Interim	10.11.2006	25.11.2013
2006-2007	Final	27.08.2007 - 30.08.2007	05.10.2014
2007-2008	Interim	08.11.2007	28.11.2014
2007-2008	Final	21.08.2008 - 26.08.2008	01.10.2015
2008-2009	Interim	01.11.2008	22.11.2015

- iv) To prevent fraudulent encashment of dividend warrants, members are requested to provide their bank account details (if not provided earlier) to the Company (if shares are held in physical form) or to Depository Participants (DPs) (if shares are held in electronic form), as the case may be, for printing of the same on their dividend warrants.
- v) Members holding shares in electronic form are advised that in terms of the byelaws of NSDL & CDSL, their bank account details, as furnished to the DP, will be printed on their dividend warrants. The Company will not entertain requests for change of such bank details printed on their dividend warrants.
- vi) Shares received for physical transfer are generally registered within a period of three working days from the date of receipt, if the documents are clear in all respects. In case no response is received from the Company within 15 days of lodgment of transfer request, the transferee may write to the Company with full details so that necessary action could be taken to safeguard the interest of the concerned against any possible loss/interception during postal transit.
- vii) Members holding shares in physical form are requested to notify to the Company, any change in their registered address and bank account details promptly by written request under the signatures of sole/first joint holder. Members holding shares in electronic form are requested to send their instructions regarding change of name, change of address, bank details, nomination, power of attorney, etc., directly to their Depository Participant (DP) as the same are maintained by them.
- viii) Non-resident members are advised to immediately notify to the Company or to the DPs as the case may be:
  - change in their residential status on return to India for permanent settlement;
  - particulars of their NRE bank account with a bank in India, if not furnished earlier;
- ix) In case of loss/misplacement of shares, a complaint shall be lodged with the police station, and intimation to this effect shall be sent to the Company along with original or certified copy of FIR/acknowledgment of the complaint.
- x) For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. Wherever applicable, the registration number of the power of attorney should also be quoted in the transfer deed at the appropriate place.
- xi) Equity shares of the Company are under compulsory demat trading by all investors. Considering the advantages of scrip-less trading, members are encouraged to consider dematerialization of their shareholding.
- xii) Members are requested to quote their folio/DP and client ID nos., as the case may be, in all correspondence with the Company. All correspondences regarding shares of the Company should be addressed to Secretarial Circle of the Company at the Registered Office at, Mahindra Satyam Infocity, Unit - 12, Plot No. 35/36, Hi-tech City layout, Survey No. 64, Madhapur, Hyderabad - 500 081, A.P. Phone: (91-40) 3063 6363/3067 5022, Fax: (91-40) 2311 7011, e-mail: investorservices@mahindrasatyam.com and not to the address of the erstwhile registrars and transfer agents or any other offices of the Company.
- xiii) Members who have multiple folios in identical name(s) or holding more than one share certificate in the same name under different ledger folio(s) are requested to apply for consolidation of such folio(s) and send the relevant share certificates to the Company.
- xiv) Section 109A of the Companies Act, 1956 extends nomination facility to individuals holding shares in physical form in companies. Members, in particular those holding shares in single name may avail of this facility by furnishing the particulars of their nominations in the prescribed nomination form.
- xv) Members are welcome to give us their valuable suggestions for improvement of investor services.





## **Declaration regarding compliance with the Code of Ethical Business Conduct Policy of the Company by Board members and senior management personnel**

This is to confirm that the Company has adopted the Code of Ethical Business Conduct Policy for the Board of Directors and Associates of the Company, which is available at [www.mahindrasatyam.com](http://www.mahindrasatyam.com).

I declare that the Board of Directors and senior management personnel have affirmed compliance with the Code of Ethical Business Conduct policy of the Company.

Place : Hyderabad  
Date : September 29, 2010

C. P. Gurnani  
Whole-time Director and CEO

## **Practicing Company Secretary Certificate regarding compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement**

To the Members of  
**Satyam Computer Services Limited**

We have examined the compliance of conditions of Corporate Governance by Satyam Computer Services Limited ('the Company'), for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Hyderabad  
Date : September 29, 2010

Savita Jyoti  
Savita Jyoti Associates  
Practicing Company Secretary  
Certificate of Practice No. 1796

## Corporate Social Responsibility

Creating value for the society is an integral part of Mahindra Satyam's business, and contributing to the well being and development of the society is considered as an obvious extension of what Mahindra Satyam does.

Mahindra Satyam's mission of bridging the increasing gap for the underprivileged in the urban areas is carried out through its CSR arm Mahindra Satyam Foundation. The Foundation's vision is to support and strengthen the vulnerable and underprivileged sections in urban communities for transforming the quality of life through technology and volunteerism. It is committed to leverage the power of IT to bridge the 'digital divide' that limits opportunities for success and prosperity, and thereby, transform lives of the less privileged. All the initiatives of the Foundation are targeted towards the urban disadvantaged population in all the cities where Mahindra Satyam has a significant presence.

The Foundation has 5 Chapters located at Hyderabad, Pune, Bengaluru, Bhubaneswar and Chennai.

During 2009-2010, Mahindra Satyam Foundation chose to focus its activities in the core areas of – Education, Health, Livelihoods, Empowerment for Persons with Disability and Environment (corporate).

### Key impacts during 2009-10

#### Education

IBM KidSmart Program is an ongoing initiative, with an objective of offering children from low-socio economic communities good quality learning opportunities in their pre & primary school years and to offer teachers of these children access to the latest educational methodology and appropriate use of technology. This year, a fourth KidSmart center was opened in Hyderabad and teachers were trained. Mahindra Satyam Foundation is responsible for its operations and maintenance. A total of 14 neighboring schools access the centers and 3,750 students are benefitted through this program. The fifth KidSmart center is ready for inauguration.

More than 5,000 notebooks were distributed to 99 children of 6 Government schools and orphanages, including 53 HIV infected children in Hyderabad and Bengaluru. In Chennai 12 cartons of books were collected in a book donation drive, which was donated to 20 Corporation Schools to set up libraries. Volunteers from Mahindra Satyam team distributed 'All in one Guide', geometry boxes and writing pads to 80 students of 10<sup>th</sup> class in Hyderabad. 7,000 notebooks were also distributed to 1,260 children of Government schools in 5 flood affected villages of Mahaboobnagar District, A.P.

M7 (Magnificent Seven) Activities: M7 teams across our chapters in Hyderabad, Bengaluru, Chennai and Bhubaneswar regularly visit Government schools and corporation schools to mentor school children on weekends. Volunteers take classes in English, Maths, Science, Computer education, motivate children on the importance of education, Time Management, Goal setting, examination tips, celebrate Independence day, Teachers day, Children's Day and other festivals with the children. 20 Mahindra Satyam Volunteers painted a school building in Hyderabad for Independence Day and organized games.

Apart from visiting schools, volunteers also visit street children shelters, orphanages, observation homes and juvenile homes on weekends.

They counsel the children, teach them, organize fun and games, and celebrate Independence Day, Children's Day, Diwali and Christmas with them. The Chevron Teams in Chennai and Bhubaneswar regularly visit orphanages and juvenile homes on weekends. The "Thomson Reuters-Fujitsu" Clients distributed mattresses, water purifier, reading books, play materials and chocolates to 60 children of a shelter for street children.

#### Health

As the H1N1 SWINE FLU virus was making its presence in the country with dire consequences, the Foundation did its bit by conducting awareness sessions among children of Shelter Homes & Govt. Schools across all our chapters. The children were also sensitized on hand washing techniques as a way to prevent spreading of the virus and general health and hygiene. The sessions targeted more than 800 children.

Eight Blood Donation Camps were conducted in Hyderabad, Bengaluru, Chennai and Bhubaneswar during this year. Mahindra Satyam associates donated 565 units of blood to Red Cross Society of India and NTR Charitable Trust Blood Bank, Hyderabad. Issues on HIV and Health were discussed in Big FM radio in its Radio Mirchi program in Chennai Chapter in which Mahindra Satyam Associates participated.

#### Livelihoods

Mahindra Satyam Foundation is currently operating 6 IT schools, in Hyderabad, Bengaluru, Pune and Bhubaneswar. During 2009-10 a total of 2,350 candidates were trained in different categories such as Office Automation, Retail Management, Web Designing DTP, Hardware and Networking, Call Center training, customized training for EMRI and RAS (Rajiv Arogyasri). Till January, 761 candidates were placed and are ongoing. In Bangalore, an MOU was signed with Karnataka Vocational Training and Skill Development Center with access to Modular Employability Skills (MES) curriculum.

Mahindra Satyam Volunteers across Bengaluru, Pune, Chennai and Bhubaneswar take soft skills and personality development classes to students of IT schools run by the Foundation, on weekends.

In Chennai a sale of jute bags made by women and children infected and affected by HIV was organized. Under the Community initiative in Hyderabad, 30 women were given training in tailoring and sewing machines were given them at the end of the training. Around 1,499 candidates have appeared for National Certificate for Vocational Training (NCVT) certification through Modular Employability Skills (MES) program implemented in our IT center in Hyderabad.

#### Empowering Persons with Disability

A major initiative under this program is organizing the 2 day Abilities Mela in partnership and supported by 16 NGOs, Government Institutions and other likeminded organizations. The Mela provided a platform to discuss Disability issues, showcase the talents of Persons with Disability and assist them in finding training/employment opportunities. 44 stalls of both NGO's as well as those of Corporates were put up at the Mela. The Mela facilitated the setting up of a shoe making and tailoring unit for PWDs in Hyderabad. This year a total of 107 livelihoods were created for Persons with Disability.



International Day of Persons with Disabilities was observed across Chapters with two corporate sensitization workshops, visits to special schools and old clothes distribution.

Mahindra Satyam volunteers across Hyderabad, Bengaluru and Chennai visited Special schools to celebrate Helen Keller's Birthday, Diwali, Children's Day and Christmas. In Hyderabad, volunteers helped children paint 950 diyas at Sadhana Institute for Mental Retardation, which was put up for sale in Mahindra Satyam Locations in Hyderabad.

### **Environment – Corporate Interventions**

During 2009-2010, year 39.53 kilograms of waste paper was collected across Mahindra Satyam locations and sent for recycling. 1,062 kilograms of e-waste was collected and sent to Bengaluru for safe disposal. In Bhubaneswar the newspapers collected were donated to a Blind school to be used as Braille notebooks. Plantation drives, awareness sessions on World Environment Day were also part of the environment initiatives.

Awareness Program on the importance of "Water Conservation" was taken up for students of 7 Government schools in Hyderabad, impacting more than 1,000 school children. This initiative was taken up in partnership between the Foundation and CII. This is an ongoing program.

### **Flood Relief Operations**

The devastating floods which ravaged the states of Andhra Pradesh and Karnataka saw unprecedented generosity from Mahindra Satyam Associates across the world. In Karnataka, cash and 25 cartons of clothes were collected. 29 volunteers visited Hunsyal & Heggasanahalli villages in Karnataka and distributed relief material to 600 families. Similarly, the 70 cartons of clothes collected from Hyderabad, Chennai, Bengaluru, Pune, along with utensils, blankets, bed sheets were distributed to 700 beneficiaries of five villages of Kothapalle, Gokavaram, Kokkarencha, Jidduvaripalle and Eduruwada of Atmakur Mandal, located 70 kms off Kurnool in Andhra Pradesh. Forty Mahindra Satyam volunteers and Mahindra Satyam Foundation Associates were involved in the relief operations. Associates of Mahindra Satyam BPO raised cash and Associates of Mahindra Satyam Foundation had donated one day's salary to be used for the ongoing relief operations for the flood victims. The cash collected was used to procure 200 synthetic sarees, Sholapur blankets, 90 T-shirts, 4 cartons of old clothes, 700 soaps for distribution in Kutukanur village in Aiza Mandal, Gadwal Division of Mahabubnagar District in Andhra Pradesh.

## Management Discussion and Analysis

### Industry Structure, development and Outlook

#### Overview

Satyam Computer Services Limited (hereinafter referred to as 'SCSL / Mahindra Satyam' or 'the Company') is a leading information, communications and technology (ICT) Company providing top-class business consulting, information technology and communication services. Leveraging deep industry and functional expertise, leading technology practices and a global delivery model, we enable companies to achieve their business goals and transformation objectives.

We are powered by a pool of talented Information Technology (IT) and consulting professionals across enterprise solutions, client relationship management, business intelligence, business process quality, operations management, engineering solutions, digital convergence, product lifecycle management, and infrastructure management services, among other capabilities. Our development and delivery centers in the US, Canada, Brazil, the UK, Hungary, Egypt, UAE, India, China, Malaysia, Singapore and Australia serve numerous clients, including several Fortune 500 companies.

We are part of the Mahindra Group, a global industrial conglomerate and one of the top 10 industrial firms based in India. The Group's interests span financial services, automotive products, trade, retail and logistics, information technology and infrastructure development.

#### Current Environment

The global economic environment continues to be challenging. Coming off the throes of recession of the year past, large parts of the developed world are faced with varying degrees of uncertainty. Many governments, especially in the Euro area, are laden with significant amount of public debt. Hence there are constraints on both public and private enterprises to make investment decisions for growth. With this however comes a greater degree of cost consciousness which favors the outsourcing value proposition. The need to cut costs and focus on core areas of operations will no doubt lead to greater adoption of off-shoring. India's value proposition as an off-shoring destination will continue to be strong aided by excellent demographics and the availability of a skilled labor pool. India is projected to contribute the largest number of people to the working population over the next 10 years, a factor that favors Mahindra Satyam's RightSourcing™ model for delivery of services.

#### Global IT services overview

Global technology products and services spend declined about 2.9 percent in 2009 to USD 1.5 trillion as per NASSCOM estimates. The decline in hardware spends was much higher than the services spend with organizations delaying new hardware acquisitions. However, IT services fared slightly better as it was seen as a means for optimizing existing processes and drive organization efficiencies. The revival in North American IT spends coupled with increased adoption in emerging markets and verticals would drive future growth in the IT industry.

Mahindra Satyam believes that the resilience in IT services spending is driven by factors such as:

- IT being an enabler of Business growth
- New Business Models coming into vogue where IT plays a prominent role
- Efficiency improvement initiatives and relentless cost focus in the aftermath of recession

### Indian IT Services Industry Overview

According to the NASSCOM Strategic Review 2010, the Indian IT/ITES industry is estimated to aggregate revenues of USD 73.1 billion in FY2010. The export revenues generated by the Indian IT/ITES industry grew by 5.4 percent in FY2010 to USD 50.1 billion. The domestic IT/ITES revenues are also estimated to grow at 8.5 percent to Rs. 1,088 billion in FY2010. The growth in domestic market is attributed to the public sectors increasing interest in e-governance initiatives and the private sector's drive to improve competitiveness by adopting global best practices. NASSCOM predicts that Indian IT/ITES industry may grow to USD 225 billion by 2020. The key factors that would contribute for this growth are:

- Expansion in services scope
  - The Indian IT industry is gradually moving up the value-chain and has evolved from offering low-end services to higher end ones, e.g. from voice based BPO operations to more sophisticated KPO, LPO services. Highly skilled services like Engineering design and R&D are also being addressed from India. With India increasingly being seen as an innovation hub, the contribution from such services is set to increase in the future.
- Expansion into emerging verticals
  - Indian IT industry has traditionally been dependent on the BFSI segment which contributes to significant portion of revenues generated by the industry. However, with increasing adoption of outsourcing in other industries, Indian IT is seen offering customized solutions to these verticals, such as retail, healthcare etc, as well.

### Opportunities and Threats

#### Opportunities

- New Brand Identity
 

During the course of the year, the Company unveiled its new brand identity "Mahindra Satyam". This strategic move set the tone for the emergence of a robust brand, which draws from the core values of the Mahindra Group and the inherent strength of Satyam, which includes its expertise and capabilities. As the official IT services provider of the 2010 FIFA World Cup™ the Company drew substantial brand coverage and admiration for seamless delivery of services for the event.
- Emerging Markets offer opportunity for growth
 

Markets such as India and Asia Pacific are increasingly becoming important from the point of view of consumption of IT services. Emerging markets have also been more resilient to the downturn and will be important focus markets as we go ahead.
- Increased adoption of off-shoring
 

The global economy which was on a recovery mode post the recession continued to face challenges like those stemming from the European debt crisis. Simultaneously, the continued thrust of global organizations towards cutting costs and improving efficiencies, reflected in the uptick in discretionary spending, offers sufficient opportunity for growth. The Company views this as a good opportunity to improve and strengthen its customer base.



➤ Environment sustainability issues

Increased environmental consciousness coupled with the search for more cost effective IT solutions have brought in a greater emphasis on "Green Technologies". Due to this there is likely to be increasing interest in technology areas such as Cloud and SaaS which will offer new opportunities for growth.

### Threats, Risks and Concerns

➤ On January 7, 2009 in a communication ('the letter') addressed to the then existing Board of Directors of the Company and copied to the Chairman of SEBI and Stock Exchanges, the then Chairman of the Company, resigned after admitting that the Company's Balance Sheet as at September 30, 2008 carried inflated cash and bank balances, non-existent accrued interest, an understated liability and overstated debtors position. The details of the financial irregularities are described in detail in Note 3 of Schedule 18 to the Standalone Financial Statements. This has led to various risks, uncertainties and possible adverse consequences, including due to:

- Investigations on the Company being conducted by various law enforcement agencies in India and abroad.
- Class Action suits faced by the Company in connection with the US Securities Exchange Act, 1934.
- Certain regulatory non compliances / breaches. (Refer Note 8 of Schedule 18 to the Standalone Financial Statements)
- Communication from M/s. Price Waterhouse that their audit reports and opinions for the audit period specified in Note 3.7(ii) of Schedule 18 to the Standalone Financial Statements, are no longer to be relied upon.
- Seizure of documents by CBI / other authorities as specified in more detail in Note 3.8 of Schedule 18 to the Standalone Financial Statements.

➤ Commitments and Contingencies faced by the Company are outlined in more detail in Note 6 of Schedule 18 to the Standalone Financial Statements.

➤ Lapses including delays in the financial reporting process set out in more detail under Note 9 of Schedule 18 to the Standalone Financial Statements, including specific risks and uncertainties highlighted under Note 9.5 of the said Schedule.

➤ Acquisition / Integration related risks between the Company, its largest shareholder and its subsidiaries.

➤ As a result of the fragmented nature of the industry, we operate in a highly competitive landscape where we compete for business with several Indian and global companies. Several global companies have also been building their offshore presence thereby intensifying competition in the offshore centric space. We believe that our strength of experience and proven delivery capabilities will stand us in good stead in winning business.

➤ The Company's operations are spread across many countries and absence of a robust compliance mechanism could expose the Company to the risk of non compliances.

➤ Challenges in upgrading the IT applications and systems due to various factors, including lack of proper source code documentation could affect other linked applications also and could materially impact the Company. Absence of a robust disaster recovery server and longer recovery times for various key applications could have a material impact on the Company.

➤ Challenges with regard to attraction and retention of talent / skills which is important for the success of the Company.

➤ The Company may face challenges with respect to its customers, which could have a material impact, including due to:

- Customer retention given the competitive market conditions with attendant pressures on price and margins.
- Reduction in IT spend and consolidation of vendors by large customers.
- Some of the Company's contracts having benchmarking as well as other provisions, including on liquidated damages.
- Failure to comply with contractual stipulations regarding non-disclosure of information.

➤ Delays in completion of fixed-price, fixed-timeframe contracts.

➤ Employee compensation pressures in India and the hiring of employees outside India may reduce the Company's margins.

➤ The Company's revenues are significantly dependent on customers primarily located in the U.S. and Europe, as well as in certain sectors. An economic slowdown or other factors, including impact of adverse legislations in these countries or sectors would affect the Company. Legislation in certain countries in which we operate, including United States, may restrict companies in those countries from outsourcing work to us.

➤ Currently, we benefit from certain tax incentives from specially designated STPs. Under current laws, the tax incentives available to STP units terminate on the earlier of the ten year anniversary of the commencement of the unit or March 31, 2011. When the tax incentives expire, the tax expense would increase and thus impacting profitability. The Company operates in jurisdictions that impose transfer pricing and other tax-related regulations on it and any failure to comply could materially and adversely affect its profitability.

➤ The exchange rate between the Indian rupee and the US dollar has continued to fluctuate. Thus operating results will be impacted by the fluctuations. Any strengthening of Indian rupee against the US dollar or other foreign currencies could impact profitability

➤ *Force majeure* events including terrorist attacks, war, regional conflicts, earthquake, floods, disruptions in telecommunication systems and virus attacks, etc could adversely affect the Company's business, results of operations and financial condition.

➤ Negative sentiments and voices against outsourcing emanating from parts of the world, in recent times, is a dampener and is a cause of concern for the industry. However, we believe that the value proposition that outsourcing brings through the availability of abundant talent and innovative processes cannot be ignored.

➤ In recent times the Indian IT services industry has been witness to demand-supply imbalances for skilled resources, a situation we believe will correct itself over the short term. In the interim, the ability to serve our customers well is dependent on our ability to attract and retain talent in this dynamic industry environment.

➤ While the Company made significant progress in its transformation journey towards becoming a Top Tier services provider, in the short term, we anticipate some negative sentiments associated with brand as some potential stakeholders (customers, Associates, Investors etc) may still relate the brand with the last year events. A rebranding exercise was subsequently carried out and a comprehensive plan to handle this with respect to various stakeholders is in progress to reinforce Mahindra Satyam brand and how it means service excellence, Corporate Governance and transparency.

## Internal Control Systems and their adequacy

Post the bidding process, M/s. Venturbay Consultants Private Limited appointed its nominees on the Board of the Company in the month of June 2009. Subsequently, the Company took various steps including induction of some senior managerial personnel into the Company. The new Management then evaluated the internal control situation existing in the Company and identified various internal control deficiencies and weaknesses. Pursuant to such evaluation, the Company concluded that for the year ended March 31, 2009, the internal controls and procedures of the Company were not effective at a reasonable assurance level and reported the same in its annual accounts pertaining to the financial year ended March 31, 2009. While the Company under the new Management took several steps during the year to mitigate some of the identified internal control deficiencies and weaknesses, other identified internal control weaknesses and deficiencies continued during the financial year ended March 31, 2010 which is fully described in Note 9.1 of Schedule 18 to the Standalone Financial Statements.

The new Management, for the purpose of ensuring appropriate controls over the financial reporting process and the preparation of the financial statements for the year ended March 31, 2010, has implemented specific procedures like manual reconciliations between the various sub-systems / sub-ledgers and the general ledger, requests for various balance confirmations as part of the year end closure process, confirmation of the department wise financial details by the business leaders, preparation and review of proper bank reconciliation statements, review of the revenue recognition policies and procedures, preparation and review of schedules for key account balances, implementing proper approval mechanisms, closer monitoring of the financial closure process etc.

In addition, physical verification of fixed assets was conducted by the new Management through an external consultant and the deficiencies that were noticed were appropriately dealt with in the books.

Based on the assessment of the above and the information available with the Management at this stage and the corrective actions taken, the Management believes that these financial statements, read with the notes thereon, do not contain any material misstatements / omissions.

## Financial Performance

### Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The Consolidated financial statements have been prepared in compliance with the Accounting Standard AS 21 and AS 27 issued by the Institute of Chartered Accountants of India (ICAI).

The discussion on financial performance in the Management Discussion and Analysis relate to the Standalone Financials Statements of SCSL.

Due to unprecedented events during the FY 2008-09 the results for the FY 2009-10 are not fully comparable.

### Share Capital

The paid up share capital stands at Rs. 2,352 Million as on March 31, 2010 compared to Rs. 1,348 Million as on March 31, 2009. The increase of Rs. 1,004 Million during the year is due to allotment of shares to Venturbay Consultants Private Limited and conversion of options into shares by employees under various Associate Stock Option Schemes (ASOPs).

### Reserves and Surplus

Securities premium account

Securities premium account has increased from Rs. 14,661 Million in FY 2008-09 to Rs. 43,165 Million in FY 2009-10. The addition to the

securities premium account of Rs. 28,504 Million during the year is primarily due to the premium received on issue of 501,422,825 equity shares to Venturbay Consultants Private Limited.

Profit and loss account

The debit balance in profit and loss account of Rs. 22,634 Million at the beginning of the year was further increased to Rs. 23,346 Million for the year ending March 31, 2010 due to the loss of Rs. 712 Million for the year ending March 31, 2010.

Associate stock option

The decrease in the associate stock option account of Rs. 605 Million is due to exercise of options to the extent of Rs. 424 Million and on account of forfeitures / cancellations of stock options of Rs. 181 Million.

### Secured Loans

The secured loan balance as at March 31, 2010 is Rs. 420 Million as compared to Rs. 6,410 as at March 31, 2009. The decrease of Rs. 5,990 Million over the previous period is primarily due to repayment of:

- Rupee Term loans amounting to Rs. 3,690 Million; and
- Foreign Currency Packing Credit loan amounting to Rs. 1,019 Million.

### Fixed Assets

The Gross block of fixed assets is Rs. 18,189 Million as at March 31, 2010 (Rs. 21,553 Million as at March 31, 2009). The decrease of Rs. 3,364 Million is primarily due to deletions in Plant and Machinery (including computers) Rs. 2,266 Million, Furniture, Fixture and Interiors Rs. 1,307 Million and Vehicles Rs. 211 Million. (Refer to Note 12.1 of Schedule 18 to the Standalone Financial Statements).

The decrease in capital work-in-progress to Rs. 3,730 Million (Rs. 3,895 Million in FY 2008-09) is due to capitalization of assets during the year and decrease in capital advances.

### Investments

Investment comprises of investments in Subsidiaries and investment in Mutual Funds.

Investment in Subsidiary companies is Rs. 7,696 Million as at March 31, 2010 (Rs. 7,400 Million as at March 31, 2009). The increase is on account of additional investment of Rs. 296 Million made during the year. The provision for diminution in value of investment in subsidiaries as at March 31, 2010 is Rs. 6,698 Million (as at March 31, 2009 is Rs. 6,470 Million).

The Company during the year made further capital infusion in Satyam Computer Services (Shanghai) Co. Limited amounting to Rs. 68 Million, Satyam Computer Services (Nanjing) Co. Limited amounting to Rs. 94 Million and in Bridge Strategy amounting to Rs. 134 Million.

Particulars	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
Gross Investments	7,696	7,400
Less: Provision for diminution	6,698	6,470
Net of Provision for Diminution in the Value of Investments	<b>998</b>	<b>930</b>

The Company has made investment in various mutual funds during the current year. These are investments in short-term debt funds, to temporarily park the cash balances. Investments in mutual funds aggregated to Rs. 6,268 Million as at March 31, 2010 (Rs. Nil as at March 31, 2009).





## Deferred Tax Assets

The Company accounts for deferred tax in compliance with the Accounting Standard 22 issued by the Institute of Chartered Accountants of India. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between financial statements carrying amounts of existing assets and liabilities and their respective tax bases. No deferred tax asset has been recognized as at March 31, 2010 on account of accumulated business losses and other items on grounds of prudence.

## Sundry Debtors

The Sundry Debtors (gross) as at March 31, 2010 is Rs. 12,916 Million (Rs. 18,718 Million as at March 31, 2009), consisting of debtors exceeding six months of Rs. 4,937 Million (Rs. 4,200 Million as at March 31, 2009) and other debts of Rs. 7,979 Million (Rs. 14,518 Million as at March 31, 2009). The cumulative provision against the total gross debtors outstanding as at March 31, 2010 is Rs. 4,411 Million (Rs. 4,046 Million as at March 31, 2009). Debtors are 16.67% of revenues for the year ended March 31, 2010 compared to 17.45% for the previous year representing a Day Sales Outstanding (DSO) of 61 Days and 64 Days for the respective years. The decrease in debtors is on account of decrease in business volumes. (Also refer Note 14.1 and 19 (iii) of Schedule 18 to the Standalone Financial Statements)

## Cash and Bank balances

Cash and Bank balances amount to Rs. 20,920 Million as on March 31, 2010 (comprising of Scheduled Bank balances of Rs. 19,094 Million and Non-Scheduled Bank balances of Rs. 1,826 Million) as compared to Rs. 4,076 Million as on March 31, 2009 (comprising of Scheduled Bank balances of Rs. 1,845 Million and Non-Scheduled Bank balances of Rs. 2,231 Million) the increase of Rs.16,844 Million is on account of proceeds received from issue of shares to Venturbay Consultants Private Limited on May 5, 2009 and July 10, 2009 which are invested in fixed deposits with banks having maturity over three months.

## Other Current Assets

Other Current Assets are Rs. 4,717 Million as on March 31, 2010 as compared to Rs. 2,785 Million as on March 31, 2009. The increase of Rs. 1,932 Million is primarily on account of unbilled revenue. (Refer Notes 14.2 and 14.3 of Schedule 18 to the Standalone Financial Statements).

## Loans and Advances

Loans and Advances (gross) as at March 31, 2010 Rs. 8,665 Million (Rs. 7,434 Million as at March 31, 2009) and the cumulative provision towards doubtful advances is Rs. 4,874 Million (Rs. 2,830 Million as at March 31, 2009). The loans and advances (net) is Rs. 3,791 Million (Rs. 4,604 Million as at March 31, 2009). The decrease of Rs. 813 Million is primarily on account of decrease in rental deposits by Rs. 650 Million.

## Current Liabilities

Current liabilities as at March 31, 2010 is Rs. 7,890 Million (Rs. 12,909 Million as at March 31, 2009) The decrease of Rs. 5,019 Million is primarily on account of decrease in payables for capital creditors, operational expenses, salaries payable and other liabilities.

## Provisions

Provisions as at March 31, 2010 is Rs. 10,675 Million (Rs. 12,081 Million as at March 31, 2009). The decrease of Rs. 1,406 Million in provisions is primarily on account of decrease in provision for employee benefits of Rs. 690 Million due to decrease in number of employees. In addition to this, the income tax provision (less payments) also decreased on account of additional tax payments during the year.

## Total income

Total income decreased to Rs. 51,989 Million in the current year from Rs. 84,679 Million in FY 2008-09 thereby a decrease of Rs. 32,690 Million.

## IT services revenues

Revenues from IT services of Rs. 50,904 Million (Rs. 82,872 Million for FY 2008-09) comprises of revenue from Overseas / Exports market – Rs. 48,558 Million (Rs. 79,621 Million for FY 2008-09) and from domestic market of Rs. 2,346 Million (Rs. 3,251 Million for FY 2008-09).

The software revenue mix based on various parameters is as follows:

### Revenues from IT services based on offshore and onsite/offsite

Location	Year ended March 31, 2010		Year ended March 31, 2009	
	Amount in Rs. Million	%	Amount in Rs. Million	%
Offshore	24,491	48.11%	38,247	46.15%
Onsite / Offsite	26,413	51.89%	44,625	53.85%
<b>Total</b>	<b>50,904</b>	<b>100.00%</b>	<b>82,872</b>	<b>100.00%</b>

### Revenues based on geography

The following table gives the composition of our IT services revenues based on the location of customers for the years indicated:

Region	Year ended March 31, 2010		Year ended March 31, 2009	
	Amount in Rs. Million	%	Amount in Rs. Million	%
North America	27,311	53.65%	50,897	61.42%
Europe	13,076	25.69%	16,416	19.81%
Asia Pacific	6,374	12.52%	10,012	12.08%
India	2,346	4.61%	3,251	3.92%
Rest of the World	1,797	3.53%	2,296	2.77%
<b>Total</b>	<b>50,904</b>	<b>100.00%</b>	<b>82,872</b>	<b>100.00%</b>

### Sale of Hardware Equipment and Other Items

During the year, the Company has identified and accounted for the sale of certain hardware equipments and software licenses of Rs. 101 Million (Rs. 1,190 Million for FY 2008-09).

### Other income

Other Income has increased to Rs. 984 Million in FY 2009-10 from Rs. 617 Million in FY 2008-09. The increase of Rs. 367 Million is primarily on account of interest on bank deposits and Rs. 221 Million from gain on sale of mutual fund units.



## Exceptional items

The Profit and Loss account includes the following exceptional expenses:

<i>(Rs. in Million)</i>	
<b>Particulars</b>	<b>FY 2009-10</b>
Expenses related to restructuring/ right sizing.	934
Expenses related to forensic investigation and litigation support	1,068
Provision for impairment losses in subsidiaries <i>(Refer to Note 19 (ii), 19 (iii) and 13.9 of Schedule 18 to the Standalone Financial Statements).</i>	2,167
<b>Total</b>	<b>4,169</b>

## Personnel expenses

Personnel costs is Rs. 37,129 Million in FY 2009-10 (Rs. 56,548 Million in FY 2008-09). The decrease of Rs. 19,419 Million is primarily on account of the following:

- The average number of technical associates have decreased to 28,654 in FY 2009-10 (42,610 in FY 2008-09) resulting in a total decrease of 13,956 technical associates. The average number of non-technical associates have decreased to 2,205 in FY 2009-10 (2,763 associates in FY 2008-09) resulting in a total decrease of 558 non-technical associates;
- Decrease in average number of onsite technical associates to 5,683 in FY 2009-10 from 9,007 in FY 2008-09 thereby a decrease of 3,325 onsite technical associates for which we pay a higher compensation;
- Sales incentives amounting to Rs. 891 Million were given in FY 2009-10 as compared to Rs. 1,288 Million in FY 2008-09 thereby a decrease of Rs. 397 Million.
- During the current year, the "Virtual Pool Program (VPP)" was introduced to balance the concerns of excess manpower in a humane manner. This program enabled the Company to retain talent at a reduced pay for a defined period of time. Extreme care was taken to ensure that the Company did not lose key talent and detailed efforts were adopted to ensure that the experience and skill sets necessary for each customer account / function, was protected. The Company also had a "recall" program (based on confirmed need) and eventually brought back 30% of the VPP associates for various roles. *(Refer Note 38 of Schedule 18 to the Standalone Financial Statements).*

## Operating and administrative expenses

Operating and administrative expenses decreased to Rs. 13,020 Million in FY 2009-10 from Rs. 30,061 Million in FY 2008-09 thereby a decrease of Rs. 17,041 Million. This decrease in operating and administrative expenses was primarily due to the decrease in Travelling and conveyance of Rs. 2,588 Million, sub-contracting costs of Rs. 2,930 Million, legal and professional charges of Rs. 691 Million, provision for doubtful debts of Rs. 2,261 Million, and further decrease on account of decrease in loss on exchange fluctuations (net) by Rs. 4,162 Million.

## Provision for diminution in value of investments

During the current year, with the assistance of independent valuation reports, the Company made further provision for diminution, other than temporary, in value of investments amounting to Rs. 228 Million. The above provision has been made based on professional advice. *(Refer Note 13.9 of Schedule 18 to the Standalone Financial Statements).*

## Depreciation

Depreciation expense for the year is Rs. 1,908 Million as compared to Rs. 2,972 Million for the year ended March 31, 2009. The decrease of Rs. 1,064 Million in depreciation expense was primarily on account of decrease in depreciation of Rs. 524 Million on software and further on account of sale of assets during the current year.

## Provision for tax

No provision has been made in the financial statements towards current tax for the year ended March 31, 2010 towards its domestic operations, since the Company has incurred a tax loss for the year. *(Refer to Note 33.1 of Schedule 18 to the Standalone Financial Statements).*

## Dividend

During the current year, the Company did not declare any dividend.

## Development in Human Resources

For material developments in Human resources, please refer to Directors' Report.

## Disclaimer

*Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied.*



# Auditors' Report

TO THE MEMBERS OF  
SATYAM COMPUTER SERVICES LIMITED

## Appointment

1. We have been appointed as statutory auditors of **SATYAM COMPUTER SERVICES LIMITED** ("the Company") for the year ended March 31, 2010 by the Board of Directors of the Company (hereinafter referred to as the "Board") subject to the ratification by the shareholders of the Company, pursuant to the order of the Honourable Company Law Board (CLB) dated July 6, 2009. This report is addressed to the members of the Company subject to the ratification of our appointment.

## Report on the Financial Statements

2. We have audited the attached Balance Sheet of the Company as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto.

## Management's Responsibility for the Financial Statements

3. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

## Auditors' Responsibility

4. **Subject to the matters discussed in this report**, we conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

## Companies (Auditor's Report) Order, 2003 (CARO)

5. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 ("the Act") we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, **which is subject to the matters discussed in this report.**

## Basis for Opinion

6. As stated in Note 3 of Schedule 18:
  - a. In respect of the financial irregularities, various regulators initiated their investigations and legal proceedings, which are ongoing and are more fully described in the said Note.
  - b. The forensic accountants have expressed certain reservations and limitations in their investigation process which are more fully described in the said Note.
  - c. The Management is of the view that since matters relating to several of the financial irregularities are *sub judice* and various investigations are ongoing, any further adjustments/disclosures to the financial statements, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

**In view of the above, we are unable to comment on the adjustments/disclosures which may become necessary as a result of further findings of the ongoing investigations and the consequential impact, if any, on these financial statements.**

7. As stated in Note 3.3(ii) of Schedule 18, the Company had, based on the forensic investigation, accounted for the differences aggregating to Rs. 11,394 Million (net debit) under "Unexplained Differences Suspense Account (Net)" under Schedule 12 due to non-availability of complete information. These net debit amounts aggregating Rs. 11,394 Million have been fully provided for on grounds of prudence in the previous year.

**In the absence of complete/required information, we are unable to comment on the accounting treatment/disclosure for the aforesaid unexplained amounts accounted under "Unexplained Differences Suspense Account (Net)" in these financial statements.**

8. As stated in Note 6.1 of Schedule 18, the alleged advances amounting to Rs. 12,304 Million (net) has been presented separately under 'Amounts Pending Investigation Suspense Account (Net)' in the Balance Sheet. The details of these claims and the related developments are more fully described in the said Note.

The Management has represented that since the matter is *sub judice* and the investigations by various Government agencies are in progress, the Management, at this point of time is not in a position to predict the ultimate outcome of the legal proceedings.

**In view of the above, we are unable to determine whether any adjustments/disclosures will be required in respect of the aforesaid alleged advances amounting to Rs. 12,304 Million (net) and in respect of the non-accounting of any damages/compensation/interest in these financial statements.**

9. As stated in Note 6.3 of Schedule 18, a number of persons claiming to have purchased the Company's securities have filed class action lawsuits in various courts in the United States of America. These class action suits are more fully described in the said Note. Based on the legal advice obtained by the Company, the Company is contesting the above lawsuits.

**Since the matter is *sub judice*, the outcome of which is uncertain at this stage, we are unable to comment on the consequential impact, if any, on these financial statements.**

10. Attention is invited to the following matters:
  - a. As stated in Note 9.3 of Schedule 18, certain reconciliations between the sub-systems/sub-ledgers and the general ledger could not be performed completely due to non-availability of the required information. The Company has identified certain amounts aggregating Rs. 47 Million (net debit), comprising of Rs. 515 Million (gross debits) and Rs. 468 Million (gross credits) appearing in the general ledger, for which complete details are not available and, hence, these amounts have been accounted under "Unexplained Differences Suspense Account (Net)" under Schedule 12 and the Management has made provision for the unexplained net debit amount of Rs. 47 Million as at March 31, 2010 on grounds of prudence. Further, there are certain differences in data between inter-connected sub-systems,

ultimately interfaced to the general ledger, for which complete details are not available.

**In the absence of the required information, we are unable to determine the additional impact, if any, of such unexplained amounts/differences on these financial statements.**

- b. Responses were not received in 1311 number of cases out of our total sample of 1822 number of requests sent out for confirmations of balances/other details in respect of parties reflected under Sundry Debtors, Loans and Advances, Current Liabilities, etc. Further, confirmations could not be sent in 14 number of cases due to the non-availability of complete records/ addresses relating to these parties. Refer Note 9.4 of Schedule 18.

**Had all the confirmations been received and reconciled, there may have been additional adjustments required to these financial statements, which are not determinable at this stage.**

11. Attention is invited to the following matters:
- a. As stated in Note 12.4 of Schedule 18, the Company has given as finance lease, vehicles to the employees under the Associates Car Purchase Scheme, the gross original cost of which aggregates Rs. 443 Million (net book value Rs. 187 Million as at March 31, 2010), which have not been accounted for as finance leases in accordance with AS 19 – Leases in the absence of complete/adequate information.
- In the absence of adequate/complete information, we are unable to determine the extent to which fixed assets and depreciation have been overstated and the impact of the non-compliance with AS 19 - Leases on these financial statements.**
- b. As stated in Notes 14.5 and 37 of Schedule 18, **the Company has not maintained proper records of its inventories during the year though the required adjustments to account for the inventory in the books of account were made based on the available information with the Management as at the year end. Further, the Company has not disclosed the quantitative details of purchase and sale of hardware equipments and other items as required under Schedule VI of the Act in the absence of complete information.**
12. The Management has evaluated and accounted for certain transactions/made the relevant disclosures based on and to the extent of the information available with the Company in respect of the following Notes of Schedule 18:
- a. Adjustment of unapplied receipts against Sundry Debtors, classification of Sundry Debtors and provisioning for doubtful debts as stated in Note 14.1.
- b. Accounting for contracts under percentage of completion method and unbilled revenue method as stated in Notes 14.2 and 14.3.
- c. Accounting for multiple deliverable elements, hardware equipments and other items etc, as stated in Notes 14.4 and 14.5.
- d. Accounting for unearned revenue as stated in Note 14.7.
- e. Accounting for reimbursements/recoveries from customers as stated in Note 14.9.

**In the absence of the required information, we are unable to determine the additional impact, if any, of the above matters on these financial statements.**

13. As stated in Note 6.6(vi) of Schedule 18, the Company is carrying a total amount of Rs. 3,686 Million (net of payments) as at March 31, 2010 towards provision for taxation which was made primarily on the basis of the past financial statements. Considering the effects of financial irregularities, status of disputed tax demands, appeals/claims pending before the various authorities, the consequent uncertainties regarding the outcome of these matters and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the balance of tax provision outstanding as at March 31, 2010.

**In view of the above, we are unable to comment on the adequacy or otherwise of the provision for taxation carried in these financial statements.**

14. Without qualifying our opinion, we invite attention to the following Notes of Schedule 18 relating to various claims and contingencies:
- a. Note 6.2 regarding the settlement amount of Rs. 3,274 Million (equivalent to USD 70 Million) deposited into the escrow account payable to Upaid Systems Limited.
- b. Note 6.4 regarding the Division of Enforcement of the United States Securities and Exchange Commission conducting a formal investigation into misstatements in the financial statements of the Company for the prior years pursuant to the letter of the erstwhile Chairman and recommending enforcement action against the Company.
- c. Notes 6.6 to 6.8 regarding the various demands/disputes raised by the direct and indirect tax authorities in respect of the past years both in India as well as overseas jurisdictions.

As stated in Note 6.13 of Schedule 18, the Company has made appropriate provision for contingencies as at March 31, 2010 which, in the opinion of the Management, is adequate to cover any probable losses in respect of the above litigations and claims.

15. Without qualifying our opinion, we invite attention to the following Notes of Schedule 18 relating to certain regulatory non-compliances/ breaches:
- a. Note 8.1 regarding various non-compliances with the provisions of the Act.
- b. Note 8.2 regarding certain non-compliances of the guidelines issued by the Securities Exchange Board of India with respect to allotment of stock options to the employees.
- c. Note 8.3 regarding certain non-compliances of the provisions of the Foreign Exchange Management Act, 1999.
- d. Note 8.5 regarding certain non-compliances of the provisions of the Income Tax Act, 1961.
- e. Note 8.6 regarding delay in filing of tax returns in overseas jurisdictions.

The Management has represented that:

- (i) the various non-compliances and breaches by the Company of the statutory requirements which have been noticed/observed, duly considering the findings of the forensic investigation/other ongoing regulatory investigations have been summarised in the aforesaid Notes.
- (ii) the Company is proposing to make an application to the appropriate authorities, where applicable, for condoning these non-compliances and breaches relating to the Company.
- (iii) the possible impact of these non-compliances and breaches in the event the Company's condonation requests, where applicable, are not granted has not been determined or recognised in these financial statements.



16. Without qualifying our opinion, we invite attention to the following Notes of Schedule 18 relating to certain accounting and other matters:
  - a. Note 9.1 regarding the Management's identification of several deficiencies in the Company's internal control over financial reporting as at March 31, 2010 along with certain remediation action taken.
  - b. Note 9.5 regarding various risks and uncertainties relevant to the Company's financial condition as identified by the Management.
17. Without qualifying our opinion, we invite attention to Note 22 of Schedule 18 regarding provision for statutory audit fees of Rs. 18 Million debited to the Profit and Loss Account which is subject to the approval of the shareholders.

#### **Opinion**

18. Further to our comments in the Annexure referred to in paragraph 5 above and paragraphs 14, 15, 16 and 17 above and **subject to our comments in paragraphs 6 to 13 above**, we report that:
  - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Act;
  - e. in our opinion, and to the best of our information and according to the explanations given to us, the said Accounts, read together with the notes thereon, give the information required by the Act in the manner so required and, **subject to the consequential effects of our comments in paragraphs 6 to 13 above which are not quantifiable**, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
    - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

#### **Reporting Requirements relating to Section 274(1)(g)**

19. On the basis of written representations received from directors as on March 31, 2010, where applicable, and taken on record by Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 008072S)

**P.R.Ramesh**  
Partner

(Membership No.70928)

HYDERABAD, September 29, 2010

## **Annexure to the Auditors' Report**

(Referred to in paragraph 5 of our report of even date)

- i. Having regard to the nature of the Company's business/activities/result/transactions, etc., clauses (viii), (xii), (xiii), (xiv), (xix) and (xx) of CARO are not applicable.
- ii. In respect of its fixed assets:
  - a. The Company has maintained records of fixed assets showing particulars, including quantitative details and situation of the fixed assets situated within India **except that quantitative details, asset description, etc., in respect of some of the fixed assets, need to be updated in the Fixed Assets Register**. According to the information and explanations given to us, **in respect of the fixed assets situated at the overseas branches of the Company, the Company has not maintained complete records showing the quantitative details and situation of fixed assets**.
  - b. A major portion of fixed assets in India, was physically verified during the year by the Management. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii. In respect of its inventory:
  - a. As explained to us, **the inventories were not physically verified during the year by the Management**.
  - b. Since no physical verification was conducted, reporting on the procedures followed by the Management does not arise.
  - c. In our opinion and according to the information and explanations given to us, **the Company has not maintained proper records of its inventories during the year** though the required adjustments to account for the inventory in the books of account were made based on the information available with the Management as at the year end. Refer to paragraph 11(b) of the Auditors' Report also.
- iv. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Act.
- v. In our opinion and according to the information and explanations given to us, **the Company did not have an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have observed that there is a continuing failure to correct several major weaknesses in such internal control system**. Refer to paragraph 16(a) of the Auditors' Report also.

- vi. According to the information and explanations given to us, the Company has not entered into any contract or arrangement with other parties, which needs to be entered in the Register maintained under Section 301 of the Act.
- vii. According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.
- viii. In our opinion, the internal audit system and the functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been generally commensurate with the size of the Company and nature of its business.
- ix. According to the information and explanations given to us in respect of statutory dues:

- (a) Whilst the Company has been generally regular in depositing undisputed dues relating to Employees' State Insurance, Wealth Tax and other material statutory dues applicable to it with appropriate authorities, **there were significant delays in depositing undisputed dues in respect of Provident Fund, Investor Education and Protection Fund, Tax Deducted at Source, Sales Tax/VAT, Works Contract Tax and Service Tax.**
- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Wealth Tax, Sales Tax/VAT, Service Tax, Cess and other material statutory dues in arrears as at March 31, 2010 for a period of more than six months from the date they became payable **except in respect of Overseas Withholding Tax amounting to Rs. 17,916,957 and Overseas Welfare Pension amounting to Rs. 933,117. As regards Income Tax, we are unable to comment on the dues in arrears as at March 31, 2010 for a period of more than six months from the date they became payable in view of the matters described under paragraph 13 of the Auditors' Report.**
- (c) Details of dues of Income-tax, Sales Tax, Service Tax and Cess which have not been deposited as on March 31, 2010 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Amount involved (Rs. in Million)	Period to which the amount relates
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	812	2006-07
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	479	2004-06
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	2,358	2002-03 to 2005-06
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	133	2001-02
Revenue and Taxation Code , USA	New York State Income Tax	New York State Department of Taxation and Finance	106	2006-08
Revenue and Taxation Code , USA	California State Income Tax	Franchise Tax Board, California	62	2003-05
Revenue and Taxation Code , USA	Pennsylvania State Income Tax	Commonwealth of Pennsylvania- Department of Revenue	4	1998-2005
Andhra Pradesh VAT Act, 2005 /CST Act, 1956	Sales tax (including penalty)	Sales Tax Appellate Tribunal	63	2005-09
Finance Act, 1994	Service Tax (including penalty)	Central Excise and Service Tax Appellate Tribunal	212	2004-05 to 2008-09

- x. **The accumulated losses of the Company at the end of the financial year are in excess of fifty percent of its net worth. Since, as stated in paragraph 18 (e) of the Auditors' Report, the consequential effects of our comments in paragraphs 6 to 13 of the Auditors' Report are not quantifiable, we are unable to comment on the cash losses in the current financial year. Further, the Company has incurred cash losses in the immediately preceding financial year.**
- xi. In our opinion and according to the explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company does not have any dues to financial institutions and has not issued any debentures.
- xii. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by some of its subsidiaries from banks and financial institutions, as made available to us for our verification, are not *prima facie* prejudicial to the interests of the Company considering the nature of the guarantees, purposes and needs.
- xiii. In our opinion and according to the information and explanations given to us, term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- xiv. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- xv. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xvi. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 0080725)

**P.R.Ramesh**  
Partner  
(Membership No. 70928)

HYDERABAD, September 29, 2010



## Balance Sheet as at March 31, 2010

		(Rs. in Million)	
	Schedule	As at March 31, 2010	As at March 31, 2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	2,352	1,348
Share Application Money Pending Allotment (Refer Note 11 of Schedule 18)		1	-
Reserves and Surplus	2	<u>43,963</u>	<u>16,063</u>
		<b>46,316</b>	<b>17,411</b>
<b>Loan Funds</b>			
Secured Loans	3	<u>420</u>	<u>6,410</u>
<b>SUB TOTAL</b>		<b>46,736</b>	<b>23,821</b>
<b>Amounts Pending Investigation Suspense Account (Net)</b> (Refer Note 6.1 of Schedule 18)		<b>12,304</b>	<b>12,304</b>
<b>TOTAL</b>		<b><u>59,040</u></b>	<b><u>36,125</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	<b>18,189</b>	21,553
Less: Accumulated Depreciation / Amortisation		<b>12,859</b>	14,044
Net Block		<u>5,330</u>	<u>7,509</u>
Capital Work-in-Progress (Including Capital Advances)		<b>3,730</b>	3,895
		<b>9,060</b>	<u>11,404</u>
<b>Investments</b>			
<b>Deferred Tax Asset (Net)</b> (Refer Note 33.2 of Schedule 18)	5	7,266	930
		-	-
<b>Current Assets, Loans and Advances</b>			
Inventories (Refer Notes 14.5, 14.10 and 37 of Schedule 18)		-	10
Sundry Debtors	6	<b>8,505</b>	14,672
Cash and Bank Balances	7	<b>20,920</b>	4,076
Other Current Assets	8	<b>4,717</b>	2,785
Loans and Advances	9	<b>3,791</b>	4,604
		<u>37,933</u>	<u>26,147</u>
<b>Current Liabilities and Provisions</b>			
Current Liabilities	10	<b>7,890</b>	12,909
Provisions	11	<b>10,675</b>	12,081
		<u>18,565</u>	<u>24,990</u>
<b>Net Current Assets</b>		<b>19,368</b>	<u>1,157</u>
<b>Debit Balance in Profit and Loss Account</b>		<b>23,346</b>	22,634
<b>SUB TOTAL (NET)</b>		<b>59,040</b>	<u>36,125</u>
<b>Unexplained Differences Suspense Account (Net)</b>	12	-	-
<b>TOTAL (NET)</b>		<b>59,040</b>	<u>36,125</u>
<b>Notes to Accounts</b>	18		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
Partner

Place: Hyderabad  
Date : September 29, 2010

**C. Achuthan**  
Director

**T.N.Manoharan**  
Director

**Ulhas N.Yargop**  
Director

**Vineet Nayyar**  
Chairman

**S.Durgashankar**  
Chief Financial Officer

For and on behalf of the Board of Directors

**C.P.Gurnani**  
Whole-time Director & CEO

**G. Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010



**Profit and Loss Account for the Year Ended March 31, 2010**

		(Rs. in Million)	
	Schedule	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
<b>Income</b>			
Income from Operations	13	51,005	84,062
Other Income	14	984	617
		51,989	84,679
<b>Expenditure</b>			
Personnel Expenses	15	37,129	56,548
Operating and Administration Expenses	16	13,020	30,061
Provision for Contingencies (Refer Note 35.2 of Schedule 18)		-	4,750
Provision for Diminution in the Value of Long Term Investments (Refer Note 13.9 of Schedule 18)		228	5,351
		50,377	96,710
<b>Profit/(Loss) before Interest, Depreciation, Prior Period Adjustments and Tax</b>			
Interest and Financing Charges	17	1,612	(12,031)
Depreciation / Amortisation	4	254	390
		1,908	2,972
		2,162	3,362
<b>(Loss) before Prior Period Adjustments and Tax</b>			
Prior Period Adjustments (Refer Note 3.4 of Schedule 18)		(550)	(15,393)
		-	62,428
<b>(Loss) before Tax</b>			
Provision for Tax		(550)	(77,821)
Income Tax - Current (Refer Note 33.1 of Schedule 18)		143	473
- Deferred (Refer Note 33.2 of Schedule 18)		-	876
Fringe Benefit Tax (Net) - For the Year		19	158
- For Prior Years (Refer Note 8.1(viii) of Schedule 18)		-	24
		(712)	(79,352)
<b>Net (Loss) for the Year</b>			
<b>Balance in Profit and Loss Account Brought Forward</b>		(22,634)	51,177
(Previous Year Balance is "As Published" - Refer Note 40(i) of Schedule 18)			
Residual Dividend and Additional Dividend Tax (Refer Note 17 of Schedule 18)		-	8
		(23,346)	(28,183)
<b>Amount Available for Appropriation</b>			
Dividend (Refer Notes 8.1 (vi) & 8.1 (vii) of Schedule 18)			
Interim		-	674
Dividend Tax		-	114
Amount Transferred to General Reserve (Refer Note 8.1 (vii) of Schedule 18)		-	-
		(23,346)	(28,971)
<b>(Debit) Balance in Profit and Loss Account</b>			
Adjusted against the Balance in General Reserve, to the extent available		-	6,337
		(23,346)	(22,634)
<b>(Debit) Balance in Profit and Loss Account Carried to Balance Sheet</b>			
Earnings per Share (Refer Note 32 of Schedule 18) - in Rs. (Equity Shares, Par Value Rs. 2 each)			
Basic		(0.65)	(117.91)
Diluted		(0.65)	(117.91)
Weighted Average Number of Shares			
Basic		1,093,000,622	673,014,491
Diluted		1,093,000,622	673,014,491
<b>Notes to Accounts</b>	18		

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
Partner

Place: Hyderabad  
Date : September 29, 2010

**C. Achuthan**  
Director

**T.N.Manoharan**  
Director

**Ulhas N. Yargop**  
Director

**Vineet Nayyar**  
Chairman

**S.Durgashankar**  
Chief Financial Officer

**For and on behalf of the Board of Directors**

**C.P.Gurnani**  
Whole-time Director & CEO

**G. Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010





## Cash Flow Statement (CFS) for the Year Ended March 31, 2010

	(Rs. in Million)	
	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>(Loss) before Tax</b>	(550)	(77,821)
Prior Period Adjustments (Financial Irregularities) (Refer Note 3.4 of Schedule 18 and Note (iii) below)	-	63,224
Adjustments for :		
Depreciation/ Amortisation (including Adjustments for Prior Years)	1,908	3,650
Employee Stock Compensation Expense	(181)	628
Interest and Financing Charges	254	390
Interest and Dividend Income	(532)	(49)
Liabilities / Provisions No Longer Required Written Back	-	(248)
Provision for Warranties Made/(Released) (Net)	(31)	105
Profit on Sale of Current Investments	(221)	-
Tax Deducted at Source Written Off	-	37
Loss on Fixed Assets Sold/Written Off (Net)	96	323
Provision for Capital Work in Progress	-	587
Provision for Doubtful Debts	365	2,626
Provision for Doubtful Advances	2,044	2,070
Advances Written Off	287	-
Provision for Unexplained Differences	20	34
Provision for Contingencies	-	4,750
Provision for Diminution in the Value of Investments	228	5,351
Effect of Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	261	50
<b>Operating Profit before Working Capital Changes</b>	<b>3,948</b>	<b>5,707</b>
<i>Changes in Working Capital</i>		
Inventories	10	(10)
Sundry Debtors	5,782	(823)
Other Current Assets	(1,523)	(2,782)
Loans and Advances	(1,518)	(2,631)
Settlement amount transferred to Escrow Account (Refer Note 6.2 of Schedule 18)	(3,274)	-
Margin Money Deposits	(7)	(285)
Current Liabilities and Provisions (Refer Note (ii) below)	(4,123)	3,368
<b>Cash Generated from Operations</b>	<b>(705)</b>	<b>2,544</b>
Taxes Paid (Net)	(847)	(927)
<b>Net Cash (Used in) / From Operating Activities</b>	<b>(1,552)</b>	<b>1,617</b>
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Refer Note (ii) below)	(1,482)	(8,129)
Proceeds from Sale of Fixed Assets	628	2,126
Purchase of Long Term Investments	-	(56)
Purchase of Current Investments - Mutual Fund Units	(18,498)	-
Proceeds from Sale of Current Investments	12,451	-
Investment in Subsidiaries	(679)	(926)
Interest and Dividend Received	123	50
Investments in Fixed Deposits with banks having maturity over three months	(15,251)	-
Proceeds on Maturity of Fixed Deposits	500	-
<b>Net Cash Used in Investing Activities</b>	<b>(22,208)</b>	<b>(6,935)</b>
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital (including Securities Premium)	29,084	531
Decrease in Share Application Money Pending Allotment	-	(18)
Proceeds from Secured Loans	-	10,016
Repayment of Secured Loans	(5,937)	(3,896)
Interest Paid on Loans	(307)	(337)
Dividends Paid (Including Distribution Tax)	-	(2,757)
<b>Net Cash From Financing Activities</b>	<b>22,840</b>	<b>3,539</b>

Contd.

**Cash Flow Statement (CFS) for the Year Ended March 31, 2010**

	(Rs. in Million)	
	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
<b>IV. AMOUNTS PENDING INVESTIGATION SUSPENSE ACCOUNT (NET)</b>	-	2,104
<b>Net (decrease) / Increase in Cash and Cash Equivalents (I + II + III + IV)</b>	<b>(920)</b>	325
<b>Cash and Cash Equivalents at the Beginning of the Year (Previous Year "As Published" (Refer Note 40(i) of Schedule 18))</b>	<b>3,711</b>	11,533
Opening Balance Adjustments (Refer Note (iii) below)	-	(8,097)
Effect of Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	<b>(261)</b>	(50)
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>2,530</b>	3,711
<b>Notes:</b>		
(i) Reconciliation of Cash and Cash Equivalents at the End of the Year with Schedule 7		
Cash and Bank Balance as per Schedule 7	<b>20,920</b>	4,076
Less: Margin Money Deposits	<b>(292)</b>	(285)
Less: Balance in Escrow Account (Refer Note 6.2 of Schedule 18)	<b>(3,274)</b>	
Less: Fixed Deposits with original maturity over three months	<b>(14,751)</b>	
Less: Dividend Bank Accounts	<b>(73)</b>	(80)
Cash and Cash Equivalents at the End of the Year	<b>2,530</b>	3,711

- (ii) Purchase of Fixed Assets includes payments for items in capital work in progress and capital advances for purchase of fixed assets. Adjustments for increase / decrease in current liabilities relating to the acquisition of fixed assets has been made to the extent identified.
- (iii) For the purpose of determining the movement in cash and cash equivalents during the previous year ended March 31, 2009 as per the Indirect Method, the balances as at March 31, 2008 ("As Published" (Refer Note 40(i) of Schedule 18)), were adjusted for the effects of the prior period adjustments on the opening balances of previous year as follows:

	(Rs. In Million)		
	As at March 31, 2008 "As Published" (Refer Note 40(i) of Schedule 18)	Prior Period Adjustments (Financial Irregularities)	Adjusted Opening Balance as at April 1, 2008 considered for the CFS
Cash and Cash Equivalents	11,533	8,097	3,436
Margin Money Deposits	33,084	33,084	-
Sundry Debtors (Gross)	23,654	5,719	17,935
Interest Accrued on Bank Deposits	2,725	2,721	4
Taxes	(1,227)	3,901	(5,128)
Unrecorded Tax Payments	-	(498)	498
Amounts Pending Investigation Suspense Account (Net)	-	10,200	(10,200)
<b>Total</b>	<b>69,769</b>	<b>63,224</b>	<b>6,545</b>

Schedules 1 to 18 attached form an integral part of the Accounts.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
Partner

Place: Hyderabad  
Date : September 29, 2010

**C. Achuthan**  
Director

**T.N.Manoharan**  
Director

**Ulhas N.Yargop**  
Director

For and on behalf of the Board of Directors

**Vineet Nayyar**  
Chairman

**S.Durgashankar**  
Chief Financial Officer

**C.P.Gurnani**  
Whole-time Director & CEO

**G. Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010



## Schedules forming part of the Balance Sheet as at March 31, 2010

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
<b>1. Share Capital</b>		
Authorised Capital (Refer Note (i) below)		
1,400,000,000 Equity Shares of Rs 2 each	<b>2,800</b>	2,800
Issued, Subscribed and Paid-up Capital (Refer Notes (ii) and (iii) below)		
1,176,185,762 (As at March 31, 2009 - 673,894,792) Equity Shares of Rs. 2 each fully paid	<b>2,352</b>	1,348
	<b>2,352</b>	1,348
<b>Notes:</b>		
(i) Pursuant to the Company Law Board order dated February 19, 2009, the authorised share capital of the Company was increased from Rs. 1,600 Million to Rs. 2,800 Million at the Board of Directors' meeting held on February 21, 2009. Refer Note 4 of Schedule 18.		
(ii) Out of the above:		
(a) 4,000,000 Equity Shares of Rs. 2 each (after sub-division of Equity Shares) were allotted as fully paid-up for consideration other than cash pursuant to the scheme of amalgamation with Satyam Enterprise Solutions Limited.		
(b) 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.		
(c) 33,350,000 Equity Shares of Rs. 2 each fully paid-up representing 16,675,000 American Depository Shares allotted.		
(d) 6,500,000 Equity Shares of Rs. 2 each fully paid-up was allotted to Satyam Associates Trust in connection with the Associate Stock Option Plan - A (ASOP-A).		
(e) 31,233,849 (As at March 31, 2009 - 31,229,043) Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company pursuant to the Associate Stock Option Plan - B (ASOP-B) and Associate Stock Option Plan (ADS) (ASOP-ADS).		
(f) 319,468 (As at March 31, 2009 - 37,374) Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company representing 159,734 (As at March 31, 2009 - 18,687) Restricted Stock Units (ADS).		
(g) 974,882 (As at March 31, 2009 - 393,637) Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company pursuant to the Restricted Stock Units (ASOP).		
(h) 501,422,825 Equity Shares of Rs.2 each fully paid up were allotted during the year to M/s Venturbay Consultants Private Limited (Refer Note 5 of Schedule 18).		
(iii) For details of Associate Stock Options, in respect of the above Equity Shares (Refer Note 10 of Schedule 18).		

**Schedules forming part of the Balance Sheet as at March 31, 2010**

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
<b>2. Reserves and Surplus</b>		
Securities Premium Account		
At the Commencement of the Year (Previous Year Balance is "As Published" - Refer Note 40(i) of Schedule 18)	<b>14,661</b>	13,686
Add: Amounts Received on allotment of Equity Shares (Refer Note 5 of Schedule 18)	<b>28,080</b>	-
Add: Amounts Received on exercise of Employee Stock Options (ASOP-B and ASOP-ADS) Rs. 456,372 only	-	524
Add: Amounts transferred from Stock Option Outstanding Account (including relating to Prior Years)	<b>424</b>	427
Add: Adjustment on account of Fringe Benefit Tax on ASOP (Refer Note 8.1(viii) of Schedule 18)	-	24
	<b>43,165</b>	14,661
General Reserve		
At the Commencement of the Year (Previous Year Balance is "As Published" - Refer Note 40(i) of Schedule 18)	-	6,337
Add: Transfer from Profit and Loss Account	-	-
	-	6,337
Less: Debit Balance in Profit and Loss Account, adjusted to the extent of available General Reserve	-	6,337
	-	-
Associate Stock Options (Refer Note 10 of Schedule 18)		
Stock Option Outstanding Account	<b>890</b>	1,897
Less: Deferred Employee Compensation Expense	<b>92</b>	495
	<b>798</b>	1,402
	<b>43,963</b>	16,063
<b>3. Secured Loans</b> (Refer Note (i) below)		
Rupee Term Loans from Banks (Refer Note (ii) below)	-	3,690
Vehicle Loans (Refer Note (iii) below)		
- from Banks	<b>51</b>	136
- from Others	<b>43</b>	130
	<b>94</b>	266
Foreign Currency Packing Credit Loan from Bank (Refer Note (iv) below)	-	1,019
Lease Obligation to Others in relation to Fixed Assets under Finance Lease (Refer Note (v) below and Note 31(iii) of Schedule 18)	<b>326</b>	1,382
Interest and Other Dues Accrued and Due on Above Loans	-	53
	<b>420</b>	6,410
<b>Notes:</b>		
(i) Amounts Repayable within 1 Year	<b>152</b>	5,039
(ii) Term Loans from Banks were secured by way of <i>pari passu</i> first charge on movables located at Satyam Infocity, Hyderabad, Satyam Technology Center, Hyderabad and on book debts and other receivables.		
(iii) Vehicle Loans are secured by the hypothecation of the vehicles financed through the loan arrangements.		
(iv) Foreign Currency Packing Credit Loan from Bank was secured by <i>pari passu</i> charge on Company's receivables.		
(v) Lease Obligation is secured by the assets financed through the finance lease arrangements		



## Schedules forming part of the Balance Sheet as at March 31, 2010

### 4. Fixed Assets

#### a) Fixed Assets

Assets	Gross Block			Accumulated Depreciation / Amortisation			Net Block		
	As at March 31, 2009	Additions during the Year	Deletions during the Year	As at March 31, 2010	As at March 31, 2009	For the Year (Refer Note (i) below)	Deductions during the Year	As at March 31, 2010	As at March 31, 2009
<b>Tangible Assets</b>									
Land and Land Development									
- Freehold (Refer Note 12.3 of Schedule 18)	332	-	-	332	-	-	-	-	332
- Leasehold (Note (ii) below)	361	6	6	355	3	1	-	4	351
Buildings (Note (iii) below)	2,691	18	-	2,709	452	125	-	577	2,132
Plant and Machinery (including Computers)	11,378	203	2,266	9,315	9,005	1,105	2,231	7,879	1,436
Furniture, Fixtures and Interiors	3,010	84	559	2,535	2,207	305	547	1,965	570
Office Equipments	456	7	27	436	280	57	24	313	123
Vehicles (Refer Note 12.4 of Schedule 18)	654	2	211	445	272	118	134	256	189
<b>Assets taken on Finance Lease</b>									
Plant and Machinery	167	-	-	167	147	15	-	162	5
Furniture, Fixtures and Interiors	951	83	748	286	125	126	157	94	192
<b>Intangible Assets</b>									
Software	1,553	56	-	1,609	1,553	56	-	1,609	-
<b>Total</b>	<b>21,553</b>	<b>453</b>	<b>3,817</b>	<b>18,189</b>	<b>14,044</b>	<b>1,908</b>	<b>3,093</b>	<b>12,859</b>	<b>7,509</b>
<b>Previous Year</b>	14,864 (Refer Note 40(i) of Schedule 18)	9,364 (Refer Note (iv) below)	2,675	21,553	10,620 (Refer Note 40(i) of Schedule 18)	2,972	226	14,044 (Refer Note (iv) below)	7,509 4,244

#### Notes:

- Refer Note 12.2 of Schedule 18 with respect to accelerated depreciation for certain assets.
- Gross Block of Leasehold land includes Rs. 79 Million (As at March 31, 2009 - Rs. 79 Million) in respect of which the deed of conveyance was pending as at March 31, 2010.
- Gross Block of Buildings includes Rs. 740 Million (As at March 31, 2009 - Rs. 740 Million) being the cost of building constructed on land taken on lease by the Company.
- Previous Year Balance under Gross Block additions and Accumulated Depreciation/ Amortisation includes Rs. 3,556 Million and Rs. 678 Million, respectively, towards adjustments/ regroupings carried out in the previous year.

#### b) Capital Work-in-Progress (including Capital Advances)

Particulars	As at March 31, 2010	As at March 31, 2009
Construction Related Contracts (Refer Note 12.6 of Schedule 18)	2,247	2,214
Other Fixed Assets	1,522	1,603
Capital Advances (Refer Note 12.6 of Schedule 18)	548	665
Sub Total	4,317	4,482
Less: Provision for Capital Work in Progress (Refer Note 12.7 of Schedule 18)	(587)	(587)
<b>Total</b>	<b>3,730</b>	<b>3,895</b>

**Schedules forming part of the Balance Sheet as at March 31, 2010**

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
<b>5. Investments (At cost, unless otherwise specified)</b>		
<b>a) Investments in Wholly Owned Subsidiaries - Long Term - Unquoted</b>		
C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) (Refer Note 13.1 of Schedule 18)		
14,337,990 Equity Shares of Rs. 10 each, fully paid-up	128	128
Satyam Technologies Inc.,		
100,000 Common Stock of USD 0.01 each, fully paid-up	202	202
Less: Provision for Diminution in Value of Investment (Refer Note (v) below)	141	141
	<u>61</u>	<u>61</u>
Satyam BPO Limited (formerly known as Nipuna Services Limited)		
33,104,319 Equity Shares of Rs. 10 each, fully paid-up	2,735	2,735
Less: Provision for Diminution in Value of Investment (Refer Note (v) below)	2,735	2,735
	<u>-</u>	<u>-</u>
Satyam Computer Services (Shanghai) Co. Limited (Refer Note (iii) below)	507	439
Less: Provision for Diminution in Value of Investment (Refer Note(v) below)	251	251
	<u>256</u>	<u>188</u>
Satyam Computer Services (Nanjing) Co. Limited (Refer Note (iii) below)	271	177
Less: Provision for Diminution in Value of Investment (Refer Note (v) below)	271	177
	<u>-</u>	<u>-</u>
Nitor Global Solutions Limited (Refer Note 13.2 of Schedule 18)		
(700 "A" Shares of GBP 1.00 each fully paid-up, 300 "B" Shares of GBP 1.00 each fully paid-up)	143	143
Less: Provision for Diminution in Value of Investment (Refer Note (v) below)	143	143
	<u>-</u>	<u>-</u>
Satyam Computer Services (Egypt) S.A.E		
10,500 Nominal Shares of USD 100 each, partly paid-up	11	11
Less: Provision for Diminution in Value of Investment (Refer Note (v) below)	11	11
	<u>-</u>	<u>-</u>
Citisoft Plc (Refer Note 13.3 of Schedule 18)		
11,241,000 Ordinary Shares of GBP 0.01 each, fully paid up	1,131	1,131
Less: Provision for Diminution in Value of Investment (Refer Note (v) below)	613	613
	<u>518</u>	<u>518</u>
Knowledge Dynamics Pte Ltd (Refer Note (v) below and Note 13.4 of Schedule 18)		
10,000,000 Ordinary Shares of SGD 0.01 each, fully paid up	197	197
Less: Provision for Diminution in Value of Investment (Refer Note (v) below)	197	197
	<u>-</u>	<u>-</u>
Bridge Strategy Group LLC (Refer Note 13.5 of Schedule 18)	1,216	1,082
Less: Provision for Diminution in Value of Investment (Refer Note (v) below)	1,216	1,082
	<u>-</u>	<u>-</u>
Satyam Computer Services Belgium, BVBA (Refer Note 13.6 of Schedule 18)		
185,500 Shares of EUR 0.10 each, fully paid up	1	1
Less: Provision for Diminution in Value of Investment (Refer Note (v) below)	1	1
	<u>-</u>	<u>-</u>
<b>Sub-total (a)</b>	<b>963</b>	<b>895</b>
<b>b) Investments in Other Subsidiaries - Long Term - Unquoted</b>		
Satyam Venture Engineering Services Private Limited		
3,544,480 Shares of Rs. 10 each, fully paid-up (Refer Note 6.11 of Schedule 18)	35	35

Contd.



## Schedules forming part of the Balance Sheet as at March 31, 2010

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
<b>c) Other Long Term Investments - Non-Trade - Unquoted</b>		
Upaid Systems Limited		
833,333 Shares of USD 0.20 each, fully paid-up	109	109
Less: Provision for Diminution in Value of Investment	109	109
National Savings Certificates, VIII Series (Rs. 6,000 (As at March 31, 2009 - Rs. 6,000) Only) (Lodged as Security with Government Authorities)	-	-
<b>Sub-total (c)</b>	-	-
<b>d) Investments in Entities which are Liquidated / Dissolved</b>		
<i>Wholly Owned Subsidiaries - Long Term - Unquoted</i>		
Satyam (Europe) Limited (Refer Note (iv) below)		
1,000,000 Equity Shares of GBP 1 each, fully paid-up	70	70
Less: Provision for Diminution in Value of Investment	70	70
Vision Compass, Inc. (Refer Note (iv) below)		
425,000,000 Common Stock of USD 0.01 each, fully paid-up	899	899
Less: Provision for Diminution in Value of Investment	899	899
Satyam IdeaEdge Technologies Private Limited (Refer Note (iv) below)		
10,000 Equity Shares of Rs. 10 each, fully paid-up (Rs. 100,000 only)	-	-
Less: Provision for Diminution in Value of Investment (Rs. 100,000 only)	-	-
<i>Other Long Term Investments - Trade - Unquoted</i>		
Medbiquitous Services Inc., (Refer Note (iv) below)		
334,000 Shares of 'A' Series preferred stock of US Dollars 0.001 each, fully paid-up	16	16
Less: Provision for Diminution in Value of Investment	16	16
Avante Global LLC., (Refer Note (iv) below)		
577,917 Class 'A' Units representing a total value of USD 540,750	25	25
Less: Provision for Diminution in Value of Investment	25	25
<b>Sub-total (d)</b>	-	-
<b>e) Current Investments (Unquoted) (At lower of cost and fair value)</b>		
<b>Non Trade:</b>		
43,720,972.06 Units of Rs. 10 each of HDFC Cash Management Fund Treasury Advantage Plan - Wholesale - Growth - Purchased during the year	848	-
6,865,539.62 Units of Rs. 100 each of ICICI Prudential Flexible Income Plan Premium Growth - Purchased during the year	1,129	-
58,024,062.04 Units of Rs. 10 each of Kotak Floater Long Term Growth - Purchased during the year	814	-

Contd.



**Schedules forming part of the Balance Sheet as at March 31, 2010**

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
842,472.71 Units of Rs. 1000 each of Reliance Money Manager Fund Institutional Option - Growth Plan - Purchased during the year	1,015	-
61,112,684.51 Units of Rs. 10 each of IDFC Money Manager - Treasury Plan C Super Institutional Plan C Growth - Purchased during the year	641	-
75,714,781.34 Units of Rs. 10 each of Fortis Money Plus Fund - Institutional - Growth - Purchased during the year	1,013	-
63,244,098.22 Units of Rs. 10 each of LIC MF Income Plus Fund Growth Plan - Purchased during the year	756	-
3,052,846.96 Units of Rs. 10 each of Birla Sun Life Savings Fund Institutional Growth - Purchased during the year	52	-
<b>Sub-total (e)</b>	<u>6,268</u>	<u>-</u>
<b>Total (a) + (b) + (c) + (d) + (e)</b>	<u>7,266</u>	<u>930</u>
<b>Notes:</b>		
(i) Cost of Unquoted Investments		
- Gross of Provision for Diminution in the Value of Investments	13,964	7,400
- Net of Provision for Diminution in the Value of Investments	7,266	930
(ii) Refer Note 13.8 of Schedule 18 for details of Investments purchased and sold during the year		
(iii) Investment in these entities are not denominated in number of shares as per laws of the People's Republic of China		
(iv) These companies have been liquidated / dissolved as per the laws of the respective countries. However, the Company is awaiting approval from the Reserve Bank of India for writing off the investments from the books of the Company. The outstanding amount of investments in these companies have been fully provided for.		
(v) Refer Note 13.9 of Schedule 18 for details of Provision for Diminution in Value of Long Term Investments recorded during the year.		
<b>6. Sundry Debtors</b> (Refer Note 14.1 of Schedule 18)		
(Unsecured)		
Debts Outstanding for a Period Exceeding Six Months		
- Considered Good	700	1,058
- Considered Doubtful	4,237	3,142
Other Debts		
- Considered Good	7,805	13,614
- Considered Doubtful	174	904
Less: Provision for Doubtful Debts (Refer Note (ii) below)	4,411	4,046
	<u>8,505</u>	<u>14,672</u>
<b>Notes:</b>		
(i) For details of Dues from Subsidiaries, (Refer Note 19(i) of Schedule 18)		
(ii) Includes Provision for Dues from Subsidiaries (Refer Note 19 (iii) of Schedule 18)	423	471



## Schedules forming part of the Balance Sheet as at March 31, 2010

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
<b>7. Cash and Bank Balances</b>		
Cash on Hand	-	-
Balances with Scheduled Banks		
- On Deposit Accounts (Refer Note (i) below)	15,035	277
- On Current Accounts (Refer Note (ii) below)	3,986	1,488
- Unclaimed Dividend Accounts	73	80
Balances with Non-Scheduled Banks (Refer Note 18 of Schedule 18)		
- On Deposit Accounts (Refer Note (i) below)	8	8
- On Current Accounts	1,818	2,223
	<u>20,920</u>	<u>4,076</u>
<b>Notes:</b>		
(i) Balances in Deposit Accounts with Banks include Margin Money Deposits towards obtaining Bank Guarantees:		
- with Scheduled Banks	284	277
- with Non-Scheduled Banks	8	8
(ii) Includes balance in Escrow Account (Refer Note 6.2 of Schedule 18)	3,274	
<b>8. Other Current Assets</b>		
Unbilled Revenue (Net) (Refer Notes 14.2 and 14.3 of Schedule 18)	4,305	2,782
Interest Accrued on Bank Deposits	412	3
	<u>4,717</u>	<u>2,785</u>
<b>9. Loans and Advances</b>		
(Unsecured)		
<u>Considered Good</u> (Refer Notes (i), (ii), (iii) and (iv) below)		
Loans/Advances to Subsidiaries	336	305
Advances Recoverable in Cash or in Kind or for Value to be Received	1,425	1,814
Deposits	1,733	2,269
Balances with Government Authorities	297	216
	<u>3,791</u>	<u>4,604</u>
<u>Considered Doubtful</u> (Refer Notes (ii) and (iv) below)		
Loans/Advances to Subsidiaries	2,620	909
Share Application Money towards Investments in Subsidiaries	1,576	1,348
Advances Recoverable in Cash or in Kind or for Value to be Received	563	459
Deposits	86	83
Others	29	31
	<u>4,874</u>	<u>2,830</u>
Less: Provision for Doubtful Loans/Advances (Refer Note (v) below)	4,874	2,830
	<u>3,791</u>	<u>4,604</u>
<b>Notes:</b>		
(i) Dues from Satyam Associate Trust (Refer Note 30 of Schedule 18)		
(ii) Dues from Directors (Refer Note 30 of Schedule 18)		
(iii) Dues from Officers	-	-
(iv) Dues from Subsidiaries and the Maximum Amount Outstanding at any time during the Year (Refer Note 19(ii) and 30 of Schedule 18)		
(v) Includes Provision for Dues from Subsidiaries	4,196	2,257

**Schedules forming part of the Balance Sheet as at March 31, 2010**

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
<b>10. Current Liabilities</b>		
Sundry Creditors		
- Dues to Micro Enterprises and Small Enterprises (Refer Note 20 of Schedule 18)	10	18
- Dues to Others (Refer Note (i) below)	5,674	9,168
Advances from Customers	743	576
Unearned Revenue (Refer Note 14.7 of Schedule 18)	722	759
Other Liabilities (Refer Note (ii) below)	668	2,308
Investor Education and Protection Fund shall be credited by the following amounts - Unclaimed Dividends (Refer Note (iii) below)	73	80
	<b>7,890</b>	<b>12,909</b>
<b>Notes:</b>		
(i) Dues to Subsidiaries (Refer Note 30 of Schedule 18)		
(ii) Includes Mark-to-market losses on forward exchange contracts and other derivative contracts (Refer Note 36 of Schedule 18)	-	1,101
(iii) There are no amounts outstanding and due as at March 31, 2010 and as at March 31, 2009 to be credited to Investor Education and Protection Fund		
<b>11. Provisions</b>		
Provision for Employee Benefits (Refer Note 28 of Schedule 18)	2,165	2,855
Provision for Warranties (Refer Note 35.1 of Schedule 18)	74	105
Provision for Contingencies (Refer Note 35.2 of Schedule 18)	4,750	4,750
Provision for Taxation (Less Payments)	3,686	4,371
	<b>10,675</b>	<b>12,081</b>
<b>12. Unexplained Differences Suspense Account (Net)</b>		
<i>Forensic Related Amounts</i>		
Opening Balance Differences (Net) as at April 1, 2002 (Refer Note 3.3 (ii) of Schedule 18)	11,221	11,221
Other Differences (Net) between April 1, 2002 and March 31, 2008 (Refer Note 3.3 (ii) of Schedule 18)	166	166
	<b>11,387</b>	11,387
Less: Provision (Refer Notes 3.3(ii) and 3.4 of Schedule 18)	<b>11,387</b>	11,387
	7	7
Other Differences (Net) between April 1, 2008 and December 31, 2008 (Refer Notes 3.3(ii) and 3.4 of Schedule 18)	7	7
Less: Provision (Refer Note 35.3 of Schedule 18)	7	7
	<b>47</b>	27
Other Differences (Net) (Refer Note 9.3 of Schedule 18)	47	27
Less: Provision (Refer Note 35.3 of Schedule 18)	47	27
	<b>-</b>	-
	<b>-</b>	-



## Schedules forming part of the Profit and Loss Account for the Year Ended March 31, 2010

	(Rs. in Million)	
	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
<b>13. Income from Operations</b> (Refer Note 14 of Schedule 18)		
Information Technology and Consulting Services		
- Overseas/Exports	48,558	79,621
- Domestic	2,346	3,251
Sale of Hardware Equipment and Other Items (Refer Note 14.5 of Schedule 18)		
- Overseas/Exports	101	1,079
- Domestic	-	111
	<u>51,005</u>	<u>84,062</u>
<b>14. Other Income</b>		
Interest on Bank Deposits and Advances (Tax Deducted at Source - Rs 55 Million, Previous Year - Rs 1 Million)	521	14
Interest Income from Loans to Wholly Owned Subsidiaries (Tax Deducted at Source - Rs Nil, Previous Year - Rs Nil)	2	-
Dividend from Wholly Owned Subsidiaries - Long Term (Gross)	-	35
Dividend from Current Investments	9	-
Profit on Sale of Current Investments	221	-
Liabilities / Provisions No Longer Required Written Back (Refer Note 15 of Schedule 18)	-	248
Provision for Warranties Released (Net) (Refer Note 35.1 of Schedule 18)	31	-
Revenue Grants from Government Authorities (Refer Note 27 of Schedule 18)	71	263
Miscellaneous Income	129	57
	<u>984</u>	<u>617</u>
<b>15. Personnel Expenses</b>		
Salaries and Bonus	33,757	50,837
Contribution to Provident and Other Funds	2,612	3,873
Gratuity (Refer Note 28.1 of Schedule 18)	60	343
Staff Welfare Expenses	906	1,142
Employee Stock Compensation Expense (Refer Note 10 of Schedule 18)	(181)	628
	<u>37,154</u>	<u>56,823</u>
Less: Reimbursements/Recovery from Customers (Refer Note 14.9 of Schedule 18)	25	275
	<u>37,129</u>	<u>56,548</u>
<b>16. Operating and Administration Expenses</b>		
Cost of Hardware Equipment and Other Items Sold (Refer Note below)	10	1,549
Rent	1,828	2,080
Rates and Taxes	117	153
Power and Fuel	461	616
Insurance	155	147
Travelling and Conveyance	1,806	4,394
Communication	628	1,156
Printing and Stationery	17	41
Advertisement	10	52
Marketing Expenses (Refer Note 16 of Schedule 18)	600	1,121
Sub-Contracting Costs (Net)	1,232	4,162
Repairs and Maintenance		
(i) Buildings	10	62
(ii) Machinery	152	492
(iii) Others	487	610

Contd.

**Schedules forming part of the Profit and Loss Account for the Year Ended March 31, 2010**

	(Rs. in Million)	
	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
Software Charges	368	455
Security Services	90	102
Donations and Contributions	-	38
Subscriptions	33	79
Training and Development	30	173
Visa Charges	241	544
Legal and Professional Charges	1,739	2,430
Directors' Sitting Fees (Refer Note 21 of Schedule 18)	-	-
Managerial Remuneration (Refer Note 21 of Schedule 18)		
(i) Salaries	-	6
(ii) Commission	-	-
(iii) Contribution to Provident and Other Funds	-	1
(iv) Others	-	-
Auditors' Remuneration (Refer Note 22 of Schedule 18)	22	72
Tax Deducted at Source Written Off	-	37
Investments Written Off	-	20
Less: Provision Released	-	(20)
	-	-
Loss on Fixed Assets Sold/Written Off (Net)	96	323
Provision for Capital Work in Progress (Refer Note 12.7 of Schedule 18)	-	587
Provision for Doubtful Debts (Refer Note 14.1 of Schedule 18)	365	2,626
Provision for Doubtful Advances	2,044	2,070
Advances Written Off	287	-
Provision for Warranty (Refer Note 35.1 of Schedule 18)	-	105
Provision for Unexplained Differences (Refer Note 35.3 of Schedule 18)	20	34
Loss on Exchange Fluctuations (Net)		
- On Forward Contracts and other Derivative Contracts (Refer Note 36 of Schedule 18)	-	4,632
- On Others	868	398
Miscellaneous Expenses	138	194
	13,854	31,541
Less: Reimbursements/Recovery of Expenses from Customers (Refer Note 14.9 of Schedule 18)	834	1,480
	13,020	30,061
<b>Note:</b>		
Cost of Hardware Equipment and Other Items Sold:		
Opening Stock	10	-
Add: Purchases	-	1,559
Less: Closing Stock	-	10
(Refer Notes 14.5 and 37 of Schedule 18)	10	1,549
<b>17. Interest and Financing Charges</b>		
Interest on Fixed Term Loans	53	39
Interest on Packing Credit Loans	1	34
Interest on Other Loans	21	33
Bank Charges	48	113
Other Finance Charges	131	171
	254	390



## Schedules forming part of Accounts for the Year Ended March 31, 2010

### Schedule 18 - Notes to Accounts

#### 1. Background

Satyam Computer Services Limited (hereinafter referred to as 'SCSL' or '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 offers a comprehensive range of IT services, including IT enabled services, application development and maintenance, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. SCSL 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.

#### 2. Significant accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements are prepared in accordance with the generally accepted accounting principles in India (GAAP) under the historical cost convention. GAAP includes mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended) / issued by the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of the Companies Act, 1956 ('the Act').

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use. Where a change in accounting policy is necessitated due to changed circumstances, detailed disclosures to that effect alongwith the impact of such change is duly disclosed in the financial statements.

##### 2.2 Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make 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 income and expenses during the reporting period like useful lives of fixed assets, provision for doubtful debts/advances, provision for diminution in value of investments, provision for employee benefits, future contracts costs expected to be incurred to complete the projects, provision for anticipated losses on contracts, provision for warranties/discounts, allowances for certain uncertainties, provision for taxation, provision for contingencies etc. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the financial statements.

##### 2.3 Inventories

Inventories comprising of traded hardware equipments and other items are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis. Cost includes material cost, freight and other incidental expenses incurred in bringing the inventory to the present location/condition.

##### 2.4 Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with banks with an original maturity of three months or less.

##### 2.5 Cash flow statement

Cash flows are reported using the indirect method, whereby profit/(loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

##### 2.6 Revenue recognition

###### *Income from operations*

Revenue from services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognised as and when the services are rendered and related costs are incurred and when there is no uncertainty in realising the same.

Revenue from fixed price, fixed time frame contracts are recognised using the percentage of completion method of accounting. The percentage of completion is determined by relating the actual project cost of work performed to date to the estimated total project cost for each contract. Total contract cost is determined based on technical and other assessment of cost to be incurred. 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 contracts are made during the period in which a loss becomes probable and can be reasonably estimated.

Liquidated damages and penalties are accounted as per the contract terms wherever there is a delayed delivery attributable to the Company and when there is a reasonable certainty with which the same can be estimated.

Revenues from the sale of hardware equipments and other items are recognised upon delivery/deemed delivery, which is when title passes to the customer.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenue is net of volume discounts/price incentives which are estimated and accounted for based on the terms of the contracts and also net of applicable indirect taxes.

Amounts received or billed in advance of services performed are recorded as advances from customers/unearned revenue.

Unbilled revenue represents amounts recognised based on services performed in advance of billing in accordance with contract terms and is net of estimated allowance for uncertainties and provision for estimated losses.

Revenue recognition is based on the terms and conditions as per the contracts entered into with the customers. In respect of expired contracts under renewal or where there are no contracts available, revenue is recognised based on the erstwhile contract/provisionally agreed terms and/or understanding with the customers.

#### *Interest income*

Interest income is recognised using the time proportion method, based on the transactional interest rates.

#### *Dividend income*

Dividend income is recognised when the Company's right to receive dividend is established.

### **2.7 Post-sales client support and warranties**

Post-sales client support and warranty costs are estimated by the Management on the basis of technical evaluation and past experience of costs. Provision is made for the estimated liability in respect of warranty costs in the year of recognition of revenue and is included in the Profit and Loss account. The estimates used for accounting for warranty costs are reviewed periodically and revisions are made as and when required.

### **2.8 Fixed assets**

Fixed assets are stated at actual cost less accumulated depreciation and net of impairment. The actual cost capitalised includes material cost, freight, installation cost, duties and taxes, eligible borrowing costs 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 Act. Depreciation is charged on a pro-rata basis from the date of capitalisation. Individual assets costing Rs.5,000 or less are fully depreciated in the year of acquisition.

The estimated useful lives are as follows:

Leasehold Land	Over the lease period of 30 to 99 years
Buildings	28 years
Plant and Machinery	
- Computers	2 years
- Taken on Finance lease	Lower of 5 years and lease period
- Others	5 Years
Furniture, Fixtures and Interiors	
- Taken on Finance Lease	Lower of 5 years and lease period
- Improvements to Leasehold Premises	Over the primary lease period
- Own Premises	5 years
Office Equipments	5 years
Vehicles	5 years

Depreciation is accelerated on fixed assets, based on their condition, usability etc, as per the technical estimates of the Management, where necessary.

The cost 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.

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.

#### *Intangible assets*

Intangible assets, including computer software, are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Intangible assets are amortised over their respective individual estimated useful lives (generally one to three years) on a straight line basis or over the license period (where applicable), whichever is lower.





## 2.9 Foreign currency transactions / translations

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the Balance Sheet date and the resultant gain or loss is recognised in the Profit and Loss account. Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

Gains or losses realised upon settlement of foreign currency transactions are recognised in the Profit and Loss account.

The operations of foreign branches of the Company are integral in nature and the financial statements of these branches are translated using the same principles and procedures as those of the head office.

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract (other than for a firm commitment or a highly probable forecast) or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Profit and Loss account in the year in which the exchange rates change. Any profit or loss arising on cancellation of such a contract is recognised as income or expense for the year.

The Company uses forward/option contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of forward contracts is governed by the Company's policies on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Forward contracts in the nature of derivatives are marked to market where ever required, as at the Balance Sheet date and provision for losses, if any, is dealt with in the Profit and Loss account. Unrealised gains, if any, on such derivatives are not recognised in the Profit and Loss account.

## 2.10 Government grants

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of the assets. The grant is recognised as income over the life of the depreciable asset by way of reduced depreciation charge. Grants in the nature of capital subsidy are treated as capital reserve based on receipt/eligibility.

Grants related to revenue are accounted for as other income in the period in which the related costs which they intend to compensate are accounted for to the extent there is no uncertainty in receiving the same. Incentives which are in the nature of subsidies given by the Government which are based on the performance of the Company are recognised in the year of performance/eligibility in accordance with the related scheme.

Government grants in the form of non-monetary assets, given at a concessional rate are accounted for at their acquisition costs.

## 2.11 Investments

Investments are classified into current investments and long-term investments based on their nature/holding period/Management's intent etc., at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost less provision made to recognise any decline, other than temporary, in the value of such investments. Any reduction in carrying amount or any reversals of such reductions are charged or credited to the Profit and Loss account.

## 2.12 Employee benefits

### *Defined contribution plans*

Contributions payable to the recognised provident fund and pension fund maintained with the Central Government and superannuation fund, which are defined contribution schemes, are charged to the Profit and Loss account on accrual basis. The Company has no further obligations for future provident fund and superannuation fund benefits other than its annual contributions.

### *Defined benefit plans*

The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year using the Projected Unit Credit method. Actuarial gains and losses are charged to the Profit and Loss account in the period in which they arise. Obligation under the defined benefit plan is measured at the present value of the estimated future cash flow using a discount rate that is determined by reference to the prevailing market yields at the Balance Sheet date on Indian Government Bonds where the currency and terms of the Indian Government Bonds are consistent with the currency and estimated term of the defined benefit obligation.

### *Compensated absences*

The Company accounts for its liability towards compensated absences based on actuarial valuation done as at the Balance Sheet date by an independent actuary using the Projected Unit Credit method. The liability includes the long term component accounted on a discounted basis and the short term component which is accounted for on an undiscounted basis.

### *Other short term employee benefits*

Other short-term employee benefits, including overseas social security contributions and performance incentives expected to be paid in exchange for the services rendered by employees, are recognised during the period when the employee renders the service.

### 2.13 Associates stock options scheme

Stock options granted to the associates (employees) are accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 ('ESOP Guidelines') issued by Securities and Exchange Board of India ('SEBI') and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. The compensation cost, if any, is amortised over the vesting period of the options.

### 2.14 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised. Other borrowing costs are recognised as expense in the Profit and Loss account.

### 2.15 Leases

Assets taken on lease by the Company in the capacity of a lessee, where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss account on a straight line basis.

### 2.16 Earnings per share

Basic earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of extra ordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/(loss) after tax (including the post tax effect of any extra ordinary items, if any) by the weighted average number of equity shares considered for deriving basic earnings per share 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, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### 2.17 Taxes on income

The current income tax charge is determined in accordance with the relevant tax regulations applicable to the Company. Deferred tax charge or credits are recognised for the future tax consequences attributable to timing differences that result between the profit/(loss) offered for income taxes and the profit as per the financial statements.

Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognised in the year in which the timing differences originate. For this purpose the timing differences which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, when there is a brought forward loss or unabsorbed depreciation under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realised.

The Company offsets, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and intends to settle such assets and liabilities on a net basis.

#### *MAT credit*

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset, in accordance with the provisions contained in the Guidance Note on Accounting for Credit Available under Minimum Alternative Tax, issued by the ICAI, the said asset is created by way of a credit to the Profit and Loss account and shown as "MAT Credit Entitlement". The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

#### *Fringe benefit tax*

In accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI, the Company has made provision for FBT under income taxes.

The Finance Act, 2007 introduced FBT on employee stock options. The Company recovers such FBT from the employees, upon the exercise of the stock options. The estimated FBT liability and related recovery is recorded at the time of exercise of options in the Profit and Loss account.

Also Refer Note 8.1(viii) of Schedule 18 with respect to change in accounting for FBT on employee stock options.



## 2.18 Research and development

Research costs are expensed as incurred. Development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use the asset and the costs can be measured reliably.

## 2.19 Impairment

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined if no impairment loss had been recognised.

## 2.20 Provisions and contingent liabilities

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

## 2.21 Insurance claims

Insurance claims are accounted for on the basis of claims admitted/expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

## 2.22 Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing/utilising the credits.

## 3. Financial irregularities

### 3.1 Overview

On January 7, 2009, in a communication ('the letter') addressed to the then-existing Board of Directors of the Company and copied to the stock exchanges and the Chairman of SEBI, the then Chairman of the Company, Mr. B. Ramalinga Raju ('the erstwhile Chairman') admitted that the Company's Balance Sheet as at September 30, 2008 carried an inflated cash and bank balances, non-existent accrued interest, an understated liability and an overstated debtors position. As per the letter, the gap in the Company's Balance Sheet had arisen purely on account of inflated profits over a period of last several years (limited only to Satyam standalone).

In the events following the letter of the erstwhile Chairman, the Honourable Company Law Board ('Honourable CLB') passed orders to suspend the then existing Board of Directors of the Company with immediate effect and authorised the Central Government to nominate directors on the Company's Board. Pursuant to the above orders, the Ministry of Corporate Affairs ('MCA') - Government of India ('GOI'), nominated 6 directors on the Board of the Company.

Vide a letter dated January 13, 2009, the erstwhile auditors of the Company, M/s Price Waterhouse, Chartered Accountants, communicated to the Board of Directors of the Company, that their audit reports issued on the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon.

The Government nominated Board of Directors appointed an independent counsel ('Counsel') to conduct an investigation of the financial irregularities that would enable preparation of the financial statements of the Company. The Counsel appointed forensic accountants to assist in the investigation (referred to as 'forensic investigation') and preparation of the financial statements.

The sub-paragraphs below detail the findings, effects and other matters relating to the financial irregularities of the earlier management headed by the erstwhile Chairman ('erstwhile management').

### 3.2 Limitations

The scope of the forensic investigation required investigating the accounting records of the Company to identify the extent of financial irregularities. There could be other instances of possible diversion that remain undetected. The following were the significant limitations in the forensic investigation, as stated in the report of the forensic accountants who carried out the forensic investigation, which would impact identifying the full extent of the financial irregularities:

- (i) Certain documents and information were either unavailable or could not be located. There was evidence suggesting that information might have been deleted or destroyed during the period leading to the date of the letter. Further, several documents are in the possession of Government agencies and were not freely accessible for the purpose of the forensic investigation. Limited and controlled access was granted only at a developed stage of the forensic investigation.
- (ii) Lack of access to key former employees and the previous auditors of the Company including those arrested by the law enforcement agencies or the information stored on their computer hard drives/other records found to be in their possession. The computer records of the erstwhile Chairman, the Managing Director and the Chief Financial Officer of the Company were also unavailable.

- (iii) As both the erstwhile Chairman and Managing Director were authorised to open bank accounts and had sole signatory powers on most bank accounts of the Company, it is possible that there are undisclosed bank accounts in which funds could have been diverted. The forensic investigation identified five bank accounts whose existence could not be confirmed by the Management.
- (iv) Company employees could have been deployed on projects that were billed outside the accounting system of the Company. Collections could have been diverted from customers on these projects to bank accounts outside the knowledge of the Company.
- (v) Discharged cheques were not available in all instances and, hence, the forensic investigation was not able to verify that beneficiary information in the Company's records accorded with that on the cheque instruments.

### 3.3 Nature of financial irregularities

The forensic investigation conducted by forensic accountants focused on the period from April 1, 2002 to September 30, 2008, being the last date upto which the Company published its financial results. In certain instances, the forensic accountants conducted investigation procedures outside this period. The forensic investigation revealed that the Company had a complex accounting and financial reporting framework, which coupled with multiple non-integrated financial systems enabled perpetration of financial irregularities. The irregularities were substantial in amount, perpetrated across multiple accounting periods and affecting many areas including *inter alia* revenue, foreign exchange gains, interest and other expenses with respect to the Profit and Loss account. It also affected debtors, cash and bank, other current assets and reserves and surplus with respect to the Balance Sheet.

- (i) Specific financial irregularities as identified

The nature of specific financial irregularities can be classified into two categories

- *Fictitious entries entered in the accounting records of the Company:* These primarily involved recognition of fictitious revenue and interest income, which ultimately resulted in creation of fictitious cash and bank balances and receivables.
- *Unrecorded transactions:* A number of real transactions (movements into and out of the bank accounts) were omitted from the accounting records of the Company.

The overall impact of fictitious entries and unrecorded transactions arising out of the forensic investigation, to the extent determined is set out as under:

		<i>(Rs. in Million)</i>
	Reference	Amount
<b>Transactions impacting the Profit and Loss account during the period from April 1, 2002 to September 30, 2008*</b>		
<i>Fictitious entries entered in the accounting records of the Company affecting</i>		
Revenue	a	53,528
Interest income	b	8,998
Exchange gain (net)	c	2,061
Salary Costs	d	(2,071)
Others	e	(179)
<i>Unrecorded transactions affecting</i>		
Interest on bank borrowings	f	175
Salary costs	d	5,004
Others	e	115
<b>Total</b>		<b>67,631</b>
<b>Transactions impacting the Balance Sheet only**</b>		
<i>Fictitious entries entered in the accounting records of the Company affecting</i>		
Advance tax payments	g	3,061
<i>Unrecorded transactions affecting</i>		
Advance tax payments (net)	g	(498)
Bank borrowings	f	1,392
		<b>3,955</b>

Contd.



(Rs. in Million)

	Reference	Amount
<b>Overall impact on the Balance Sheet as at September 30, 2008 on account of the above items</b>		
Cash and bank	a to g	52,947
Debtors	a, c	5,010
Accrued interest	b	3,757
Withholding taxes	b	1,970
Advance tax payments	g, c	2,557
Bank borrowings	f	1,392
Other liabilities	a	(2)
<b>Total</b>		<b>67,631</b>

\*Positive amount reflects fictitious income/unrecorded payments while negative amount reflects fictitious outflow/unrecorded receipts

\*\* Positive amount reflects overstatement of assets/understatement of liability and vice versa on account of fictitious and unrecorded transactions

- a) **Revenue:** The fictitious revenue was recorded by creation of false invoices by circumventing the normal revenue recognition cycle. The transactions were recorded using the financial systems in a manner that allowed camouflaging the irregularity. After creating the fictitious revenue, fictitious cash collections were shown as collections from customers. In order to substantiate these fictitious collections, forged bank statements and fixed deposit receipts were also prepared. Fictitious revenue aggregating Rs. 53,528 Million was recorded over the period from April 1, 2002 to September 30, 2008, of which Rs. 48,702 Million was translated into fictitious cash and bank balances. The difference amounting to Rs. 4,826 Million comprises of Rs. 4,828 Million of debtors net of other liabilities of Rs. 2 Million. In addition, there was fictitious unrealised exchange gain of Rs. 182 Million on fictitious debtors which was recognised, resulting in total fictitious debtors of Rs. 5,010 Million.
- b) **Interest income:** Fictitious interest income was recorded in respect of fictitious fixed deposit balances. Total fictitious interest income aggregating Rs. 8,998 Million was recognised over the period from April 1, 2002 to September 30, 2008. Of the above fictitious interest recognised, Rs. 3,271 Million was translated into fictitious cash and Rs. 1,970 Million was fictitiously recorded as withholding tax on such interest income. The difference amounting to Rs. 3,757 Million was reflected as accrued interest as at September 30, 2008. In addition an amount of Rs. 324 Million was accounted as interest accrued for the period from October 1, 2008 to December 31, 2008.
- c) **Exchange gain (net):** Fictitious exchange gain (net) amounting to Rs. 2,061 Million was recognised over the period from April 1, 2002 to September 30, 2008, primarily by restatement of fictitious cash and bank balances, fictitious inter-bank transfers and collections. The above fictitious exchange gain (net of exchange losses) resulted in increasing fictitious debtors by Rs. 182 Million, cash and bank balances by Rs. 1,885 Million and decrease in advance taxes by Rs. 6 Million.
- d) **Salary costs:** Net salary costs aggregating Rs. 2,933 Million were not recorded in the books of account resulting in fictitious cash and bank balances of Rs. 2,933 Million.
- e) **Others (net expense)** aggregating Rs. 64 Million was on account of fictitious interest in relation to fictitious and unrecorded tax payments/refund identified (refer note (g) below). The same resulted in understatement of cash and bank balances by Rs. 64 Million.
- f) **Bank borrowings (including interest thereon):** There were unrecorded bank loans taken during the period from April 1, 2002, to September 30, 2008, aggregating Rs. 7,201 Million. The Company had effected unrecorded repayments to the extent of Rs. 5,809 Million. The outstanding balance of Rs. 1,392 Million as at September 30, 2008 was repaid in December 2008. Unrecorded interest expenses in respect of such loans amounted to Rs. 175 Million resulting in fictitious cash and bank balances.
- g) **Tax payments:** There were certain fictitious tax payments (Advance tax and US federal tax), which were recorded in the books of account aggregating Rs. 3,061 Million. Further, there were genuine tax payments/refunds (net), unrecorded to the extent of Rs. 498 Million. The Management evaluated the unrecorded tax payments in the overall context of tax related matters. Refer Note 6.6 of Schedule 18.
- (ii) Financial irregularities where complete information was not available
- These transactions were either improperly recorded in the accounting records or remained unrecorded. In addition, since the forensic investigation focused on the period from April 1, 2002 onwards, there were fictitious balances (cash and bank and debtors) and unrecorded liabilities where details remain unavailable. The details of such items are given below:

- a) The forensic investigation identified fictitious cash and bank balances (Rs. 9,964 Million), debtor balances (Rs. 557 Million) and unrecorded loans (Rs. 700 Million) originating in periods prior to April 1, 2002 aggregating Rs. 11,221 Million (net debit) which resulted in a net opening balance difference of Rs 11,221 Million as at April 1, 2002. In the absence of complete information, the amount aggregating Rs. 11,221 Million has been accounted under "Unexplained Differences Suspense Account (Net)" in the Balance Sheet (Refer Schedule 12).
- b) The forensic investigation also identified certain transactions aggregating Rs. 166 Million (net debit) (comprising of Rs. 2,444 Million of gross debits and Rs. 2,278 Million of gross credits) during the period from April 1, 2002 to March 31, 2008 and Rs. 7 Million (net debit) (comprising of Rs. 12 Million of gross debits and Rs. 5 Million of gross credits) during the period from April 1, 2008 to December 31, 2008 which remain unidentified primarily due to lack of substantive documents. Accordingly, the amounts of Rs. 166 Million and Rs. 7 Million have been accounted under "Unexplained Differences Suspense Account (Net)" in the Balance Sheet (Refer Schedule 12).

During the previous year ended March 31, 2009, the Company, on grounds of prudence, provided for the opening balance differences (net) of Rs. 11,221 Million as at April 1, 2002 and other differences (net) of Rs. 166 Million pertaining to the period from April 1, 2002 to March 31, 2008 and classified them as Prior Period Adjustments (Refer Note 3.4 (ii) of Schedule 18). It also provided for the other differences (net) of Rs. 7 Million relating to the period from April 1, 2008 to December 31, 2008 and classified them under Provision for Unexplained Differences (Refer Note 35.3 of Schedule 18).

- c) The forensic investigation has so far been unable to identify the nature of certain alleged transactions aggregating Rs. 12,304 Million (net receipt) against which the Company has received legal notices from 37 companies claiming repayment of this amount which was allegedly given as temporary advances. Refer Note 6.1 of Schedule 18 for details.

(iii) Prior period errors

Certain additional adjustments in the nature of errors relating to the periods prior to April 1, 2008 were recorded as prior period adjustments in the financial statements for the previous year ended March 31, 2009 by the Management to the extent identified

The key areas of prior period errors that impacted the Profit and Loss account are set out as under:

		<i>(Rs. in Million)</i>
<b>S.No</b>	<b>Particulars</b>	<b>Amount [Debit / (Credits)]</b>
(i)	Adjustment to revenue on account of unbilled revenue, unearned revenue and credit notes (Refer Notes 14.3, 14.7 and 14.8 of Schedule 18)	(1,608)
(ii)	Timing of asset capitalisation and resultant impact on depreciation (Refer Note 12.1 of Schedule 18)	678
(iii)	ASOP costs (Refer Note 10.1 of Schedule 18)	186
(iv)	Marketing Expenses (Refer Note 16 of Schedule 18)	143
(v)	Others	(195)
	<b>Total</b>	<b>(796)</b>

Also refer Note 8.1(viii) of Schedule 18 in respect of accounting for FBT on ASOPs, Note 12.7 of Schedule 18 regarding accounting for ERP Software and Note 13.3 on accounting for Citisoft investment.



### 3.4 Accounting for financial irregularities and prior period errors

- (i) The overall impact of the financial irregularities detailed in Note 3.3 of Schedule 18 above is summarised as under:

<i>(Rs. in Million)</i>			
<b>Particulars</b>	<b>Relating upto April 1, 2008</b> <small>(Refer Note 3.4(ii) of Schedule 18)</small>	<b>Relating to period subsequent to April 1, 2008</b> <small>(Refer Note 3.4(iii) of Schedule 18)</small>	<b>Total</b>
<b>Specific Financial Irregularities as Identified</b>			
Revenue	41,760	11,768	53,528
Interest income (Including Rs 324 Million referred to in Note 3.3(i)(b) of Schedule –(18))	7,657	1,665	9,322
Exchange (loss)/gain	(684)	2,745	2,061
Interest on bank borrowings	174	1	175
Net Salary costs	2,933	-	2,933
Others	(3)	(61)	(64)
<b>Sub-total (A)</b>	<b>51,837</b>	<b>16,118</b>	<b>67,955*</b>
<b>Financial Irregularities where complete information not available</b>			
Opening balance differences (net) as at April 1, 2002	11,221	-	11,221
Other differences (net) subsequent to April 1, 2002	166	7	173
<b>Sub-total (B)</b>	<b>11,387</b>	<b>7</b>	<b>11,394**</b>
<b>Total Financial Irregularities –(A+B)</b>	<b>63,224</b>	<b>16,125</b>	<b>79,349</b>
<i>Prior period errors (C)</i>	(796)	-	(796)***
<b>Total (A+B+C)</b>	<b>62,428</b>	<b>16,125</b>	<b>78,553</b>

\* Rs. 67,631 Million (Refer Note 3.3 (i) of Schedule 18) plus Rs. 324 Million (Refer Note 3.3 (i)(b) of Schedule 18)

\*\* Refer Note 3.3 (ii) of Schedule 18

\*\*\* Refer Note 3.3 (iii) of Schedule 18

- (ii) Adjustments pertaining to the period upto April 1, 2008 (prior period adjustments):

As stated in Note 3.3 of Schedule 18, several adjustments resulting from financial irregularities and errors, relating to periods prior to April 1, 2008 were identified during the previous year ended March 31, 2009. The Company has recorded these adjustments amounting to Rs. 62,428 Million in the Profit and Loss account as prior period adjustments. This disclosure is pursuant to the order dated October 16, 2009 of the Honourable CLB, and is also in accordance with Accounting Standard 5 - "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

- (iii) Adjustments pertaining to the period subsequent to April 1, 2008:

The adjustments resulting from financial irregularities relating to the period subsequent to April 1, 2008 aggregating Rs. 16,125 Million were adjusted to the specific captions in the Profit and Loss account during the previous year.

### 3.5 Investigation by authorities in India

Pursuant to the events stated in Note 3.1 of Schedule 18, various regulators/investigating agencies such as the Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO) / Registrar of Companies (ROC), SEBI, Directorate of Enforcement (ED) etc., have initiated their investigation on various matters pertaining to the Company during the previous year ended March 31, 2009 which are ongoing.

The CBI initiated legal proceedings before the Additional Chief Metropolitan Magistrate for Trial of Satyam Scam Cases, Hyderabad (ACMM) and has filed certain specific charge sheets against the erstwhile Chairman and others based on its findings so far.

The SFIO has submitted its reports relating to various findings and has also commenced prosecution against the Company for two alleged violations before the Economic Offenses Court, Hyderabad against the Company and others. The Company has filed a compounding application with respect to the alleged violations.

### 3.6 Investigation on round tripping

The investigating agencies in India and the Securities and Exchange Commission (SEC) of the United States of America (USA), are currently investigating matters such as round tripping pertaining to periods prior to April 1, 2002. While no specific information was available with respect to outflow of funds, information received from investigative agencies revealed that out of 29 inward remittances from an entity registered in a tax haven aggregating USD 28.41 Million, it is possible that 20 of these inward remittances aggregating USD 17.04 Million may have been used to set off outstanding invoices.

Also Refer Note 3.3(ii) of Schedule 18 above.



### 3.7 Other matters

(i) Suspension/termination of erstwhile management

Subsequent to the January 7, 2009 letter of the erstwhile Chairman, the Honourable CLB vide its order dated January 9, 2009 suspended the erstwhile Board of Directors including the erstwhile Chairman, Mr. B. Ramalinga Raju, and the former Managing Director, Mr. B. Rama Raju, with immediate effect. Further, the Company terminated the former Chief Finance Officer, Mr. Srinivas Vadlamani, with effect from January 8, 2009.

During the current year, the Company also terminated, the former Vice President, Mr. G. Ramakrishna, the former Global Head of Internal Audit, Mr. V.S.P. Gupta, the former Assistant Manager (Finance), Mr. C H Srisailam, and the former Senior Manager (Finance), Mr. D Venkatapathi Raju.

The CBI filed charge sheets accusing the above former directors and employees of cheating, forgery of accounts, forgery for the purpose of cheating, using forged documents as genuine, falsification of accounts and criminal conspiracy punishable under the Indian Penal Code. The trial is ongoing before the ACMM.

The Company also suspected an ex-employee of the Company for diverting the Company's resources through sub-contracting entities controlled by him. As the suspected diversion related to the period when the erstwhile Management was in the control of the Company, the same was brought to the immediate notice of the CBI by the Company for appropriate action.

(ii) Non-reliance on audit report issued by Price Waterhouse

The Company had appointed M/s Price Waterhouse, Chartered Accountants ('PW' or 'the previous auditors') as the statutory auditors of the Company with effect from May 26, 2000. The previous auditors conducted the audit of the Company from the quarter ended June 30, 2000 to the quarter ended September 30, 2008 ('audit period'). After the letter of the erstwhile Chairman, the previous auditors vide their letter dated January 13, 2009 stated that their audit reports and opinions in relation to the financial statements for the audit period can no longer be relied upon.

The CBI has filed a charge sheet against Mr. S.Gopala Krishnan and Mr. Talluri Srinivas, partners of PW, for committing offense of cheating, forgery, using forged documents as genuine, criminal conspiracy and falsification of accounts, fabrication of documents, among other offences punishable under law. The trial is ongoing before the ACMM.

(iii) Possible diversion of funds for American Depository Shares (ADS) proceeds

The forensic investigation has indicated possible diversion aggregating USD 41 Million so far from the proceeds of the ADS which were listed with the New York Stock Exchange in May 2001. The forensic investigation revealed that there were three areas of payments from the ADS proceeds where possibility of diversion cannot be excluded. These are set out below:

Description	USD Million
Payments to banks	22
Payments to other entities	9
Cash outflows for which beneficiary details are unknown	10
<b>Total</b>	<b>41</b>

(iv) The forensic investigation has not come across evidence suggesting that the financial irregularities, as identified, extended to the Company's subsidiaries and its joint venture.

### 3.8 Documents seized by CBI/other authorities

Pursuant to the investigations conducted by CBI/other authorities, most of the relevant documents in possession of the Company were seized by the CBI. On a petition filed by the Company, the ACMM, vide its order dated April 23, 2010 had granted partial access to the Company including for taking photo copies of the relevant documents as may be required in the presence of the CBI officials. Further, there were also certain documents which were seized by other authorities such as the Income Tax Authorities, of which the Company could only obtain photo copies.

### 3.9 Management's assessment of the identified financial irregularities

As per the assessment of the Management, based on the forensic investigation carried out through an independent counsel/forensic accountants (Refer Note 3.1 of Schedule 18) and the information available at this stage, all identified/required adjustments/disclosures arising from the identified financial irregularities, have been made in the financial statements (Refer Note 3.4 of Schedule 18).

Since matters relating to several of the financial irregularities are *sub judice* and the various investigations are ongoing, any further adjustments/disclosures, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

## 4. Honourable CLB Orders

During the previous year ended March 31, 2009, subsequent to the letter by the erstwhile Chairman of the Company (as referred to in Note 3 of Schedule 18), the Union of India filed a petition before the Honourable CLB invoking the provisions of Sections 388B, 397, 398, 401 to 408 of the Act, pursuant to which the Honourable CLB has, vide its powers conferred under Section 388C read with Section 388B and also under Section 403 read with the Sections 397/398 of the Act, passed various orders relating to the affairs of the Company which are summarised below:



- On January 9, 2009, the Honourable CLB suspended the then existing Board of Directors of the Company and authorised the Government of India ('Central Government') for the constitution of not more than 10 persons of eminence as directors.
- The Central Government vide order dated January 29, 2009 appointed 6 eminent persons as directors of the Company.
- On February 19, 2009, the Honourable CLB authorised the Board of Directors nominated by the Central Government to induct strategic investors in the Company.
- On February 19, 2009, the Honourable CLB authorised the increase in the authorised share capital of the Company from Rs. 1,600 Million to Rs. 2,800 Million.
- On April 16, 2009, the Honourable CLB approved the selection of Venturbay Consultants Private Limited ('Venturbay') as a strategic investor in the Company through a global competitive bidding process, approved by SEBI and conducted under the supervision of former Chief Justice of India, Shri S.P.Bharucha.
- On April 16, 2009, the Honourable CLB also approved the application made by the Company for extension of timelines for submitting the audited financial statements for the financial year 2008-09 to December 31, 2009.
- On July 6, 2009, the Honourable CLB approved the appointment of statutory auditors of the Company for the year ended March 31, 2010 subject to the ratification by the general body of the Company, as and when AGM is held.
- On July 17, 2009, the Honourable CLB authorised the withdrawal of four out of the six directors nominated by the Central Government and authorised the remaining two directors to continue till such time the Central Government desires to continue them, however, not beyond a period of three years from the date of the order.
- On October 15, 2009, the Honourable CLB approved the appointment of statutory auditors of the Company for the year ended March 31, 2009 subject to the ratification by the general body of the Company, as and when AGM is held.
- On October 16, 2009, the Honourable CLB also approved the application made by the Company for extension of timelines for submitting the audited financial statements for the financial year 2008-09 to June 30, 2010.
- On June 30, 2010, the Honourable CLB approved the application made by the Company for extension of time for submission and publication of the financial statements for the year ended March 31, 2009 and March 31, 2010 to September 30, 2010, exempted the Company from publication of financial results for the quarter ended December 31, 2008 to March 31, 2010 and the time for holding the AGM for the financial year 2008-09 and 2009-10 was extended by 3 months, permission to file with ROC the Balance Sheet, the Profit and Loss account and other related annexures for the financial years 2008-09 and 2009-10, and any filing required under other applicable laws including taxation laws, within 30 days from the date of the AGM, and the tenure of the statutory auditors till the conclusion of the Annual General Meeting for the financial year 2009-2010.

## **5. Acquisition by Venturbay**

- 5.1** M/s Venturbay Consultants Private Limited ("Venturbay") became the successful bidder of the global competitive bidding process initiated/concluded under the supervision of former Chief Justice of India, Shri S.P. Bharucha. Shri S.P. Bharucha has also given in writing to Honourable CLB, that the process of selection was fair, transparent and open as required.

During the current year, on May 5, 2009, Venturbay was allotted 302,764,327 equity shares of Rs. 2 each of the Company at a premium of Rs. 56 per share (being 31% of the paid up capital) for a consideration of Rs. 17,560 Million.

On July 10, 2009, pursuant to completion of the open offer, Venturbay was further allotted 198,658,498 equity shares of the Company (par value of Rs. 2 each per share) at a premium of Rs. 56 per share for a consideration of Rs. 11,522 Million. Consequently, Venturbay currently holds 501,843,740 equity shares (including 420,915 equity shares acquired through the open offer) representing 42.67% of the paid-up share capital of the Company. Currently, the Board of Directors of the Company comprises seven directors of which three are representatives from Venturbay, two are nominees of the Central Government and two are independent directors.

### **5.2 Details of monies utilised out of preferential issue of shares**

The Honourable CLB passed an order on February 19, 2009, permitting the Company to enhance the authorised share capital make preferential allotment of equity shares to an investor without seeking the consent of its shareholders. Pursuant to the order, the Company entered into a share subscription agreement dated April 13, 2009 with Venturbay Consultants Private Limited and Tech Mahindra Limited for issue of 501,422,825 Equity Shares on preferential basis to Venturbay Consultants Private Limited. The terms and conditions of the issue are subject to the guidelines issued by SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

(Rs. in Million)

Particulars	As at March 31, 2010
501,422,825 Equity Shares of Rs. 2 each at a premium of Rs. 56 per share to M/s. Venturbay Consultants Private Limited	29,082
<b>Total amount received on preferential issue of shares (A)</b>	<b>29,082</b>
Amount utilised of the above:	
Short Term Loan Repayment to Banks	3,690
Interest Free Loan to Subsidiaries	1,687
Amount deposited in Escrow Account	3,274
Investment in subsidiaries	669
Capital expenditure	113
Operational and Administrative Expenses	1,102
Personnel Expenses	210
<b>Actual utilisation of funds upto March 31, 2010 (B)</b>	<b>10,745</b>
<b>Unutilised funds as at March 31, 2010 (C) = (A) – (B)</b>	<b>18,337</b>
The unutilised funds as at March 31, 2010 were invested in the following manner:	
Fixed deposits	12,250
Mutual funds	6,268
Balance as at March 31, 2010 (including the interest earned on fixed deposits and gain on mutual funds redemption)	<b>18,518</b>

## 6. Commitments and contingencies

### 6.1 Alleged advances

The erstwhile Chairman in his letter dated January 7, 2009, stated that the Balance Sheet as of September 30, 2008 carried an understated liability of Rs. 12,304 Million on account of funds arranged by him. On January 8, 2009, the Company received letters from thirty seven companies requesting confirmation by way of acknowledgement of the alleged amounts referred to as 'alleged advances'. These letters were followed by legal notices from these companies dated August 4/5, 2009, claiming repayment of Rs. 12,304 Million allegedly given as temporary advances. The legal notices also claim damages/compensation @18% per annum from date of advance till date of repayment. The Company has not acknowledged any liability to any of the thirty seven companies and has replied to the legal notices stating that the claims are legally untenable. The ED is investigating the matter under the Prevention of Money Laundering Act, 2002 and directed the Company to furnish details with regard to the alleged advances and has further directed the Company not to return the alleged advances until further instructions from the ED.

On November 11, 2009, four out of the thirty seven companies, have filed suits for recovery before City Civil Court, Secunderabad, against the Company with a prayer to file as indigent person seeking exemption from payment of required court fee. The aggregate amount sought to be recovered by these four companies is Rs. 3,131 Million and interest @18% per annum. These cases are pending before the said Court. As of date, the remaining thirty three companies have filed similar petitions in the said Court and the petitions are pending.

As of March 31, 2010 and March 31, 2009, the amount of alleged advances has been presented separately under 'Amounts Pending Investigation Suspense Account (Net)'. The Company is contesting the claims for recovery filed as indigent petitions/suits by these companies. Since the matter is *sub judice* and the investigation by various Government Agencies is in progress, the Management, at this point of time, is not in a position to predict the ultimate outcome of the legal proceedings initiated by these thirty seven companies.

### 6.2 Claims from Upaid Systems Limited (Upaid)

In connection with the lawsuit filed by Upaid, the Company deposited an amount of Rs. 3,274 Million (equivalent to USD 70 Million) into an escrow account pursuant to a Settlement Agreement with Upaid to settle the litigation commenced by Upaid against the Company in the United States District Court for the Eastern District of Texas, Marshall County in USA wherein Upaid sought damages exceeding USD 1 Billion for fraud and forgery in addition to other punitive damages, fees and costs.

Subsequently, the Company obtained a favorable ruling against Upaid from the Supreme Court of the State of New York, USA declaring that Upaid was solely responsible for any tax liability under Indian law in respect of the settlement amount. Upaid has filed an application before the Authority for Advance Rulings seeking a binding advance ruling under the Income Tax Act, 1961 (IT Act), for taxability of the above mentioned payment.

The order of the Authority for Advance Rulings has not been delivered till date.

Pending resolution of dispute, the Texas Action is currently adjourned.



### 6.3 Class Action Complaints

#### i. Class Action Complaint

Subsequent to the letter by the erstwhile Chairman (Refer Note 3.1 of Schedule 18), a number of persons claiming to have purchased the Company's securities filed class action lawsuits in various courts in the USA alleging violations of the anti-fraud provisions of the Securities Exchange Act of 1934. The Company, the former officers, directors and former auditors of the Company, Maytas Infra Limited and some of its directors, Maytas Properties Limited and some of its directors are named as defendants in these lawsuits. The lawsuits were consolidated into a single action (the 'Class Action') in the United States District Court for the Southern District of New York (the 'Court').

The Class Action Complaint seeks monetary damages to compensate the Class Members for their alleged losses arising out of their investment in the Company's common stock and ADS during the Class Period.

#### ii. On November 13, 2009, a trustee of two trusts that are assignees of the claims of twenty investors who purchased the Company's ADS or common stock (prior to the aforementioned letter by the erstwhile Chairman of the Company) and who sold their ADS or common stock after the confession, filed a complaint against the Company, its former auditors and certain other individuals (the 'Action') on grounds substantially similar to those contained in the Class Action Complaint mentioned above. The Action, which has been brought as an individual action, was filed after the consolidation of various class action lawsuits. The complaint filed in the Action alleges that the losses suffered by the twenty investors, for which recovery is sought, is over USD 68 Million.

#### iii. Consolidation of Class Action Complaint and the Action

The Action was transferred to the Court in the Southern District of New York for pre-trial consolidation with the Class Action Complaint.

Based on the legal advice obtained by the Company, the Company is contesting the above lawsuits, the outcome of which is not determinable at this stage.

### 6.4 SEC proceedings

The Division of Enforcement ('Division') of the SEC is conducting a formal investigation into misstatements in the Company's financial statements predating January 7, 2009, the date of self-disclosure of financial irregularities by the erstwhile Chairman. The Company is cooperating fully with the investigation. On September 17, 2009, the Company received a 'Wells Notice' from the Division, which was a notification advising the Company that the Division had tentatively concluded that it would recommend to the Commissioners of the SEC that it files a civil suit against the Company, alleging fraud and other violations, and seeking permanent injunctions and monetary relief. As of date, the SEC has not made a determination regarding any staff recommendation in this matter. The outcome of this matter is not determinable at this stage.

### 6.5 Claims from a customer

The Company had entered into an agreement with a customer for software development for the operations of a customer in Japan. The Company executed the software development in accordance with the terms of the agreement. In 2005, the customer invoked arbitration contending deficiency of services and claiming damages of Japanese Yen 364 Million (equivalent to Rs. 189 Million) which is being disputed by the Company. The Company has also filed a counter claim of USD 0.24 Million (equivalent to Rs. 12 Million) being the balance amount due and payable for the work done by the Company, apart from other charges and interest the Company is entitled to. The matter is now pending before a Sole Arbitrator in Pune, the outcome of which is not determinable at this stage.

### 6.6 Income tax matters

#### i. Financial years 2002-03 to 2005-06

Consequent to the letter of the erstwhile Chairman referred to in Note 3.1 of Schedule 18, the Income Tax Department conducted certain enquiries and passed rectification orders under Section 154 of the IT Act dated April 2, 2009, disallowing part of the claim made by the Company towards foreign tax credits which were earlier allowed in the assessments for the financial years 2002-03 to 2005-06, resulting in a demand of Rs. 2,358 Million. The Company has filed appeals before the Commissioner of Income Tax (Appeals) (CIT(A)) against the above said rectification orders, *inter alia*, contending that the said rectification orders are not based on record available as on the date of assessments and therefore not valid in law. Further, the Company has contended in the appeals that in any case, the past assessments should be rectified only after taking into account all the facts and circumstances of the case, after excluding the fictitious sales and non-existent income wrongly offered to tax earlier, and after arriving at the correct taxable income of the Company. The Company has received orders from the CIT(A) whereby the appeals filed for the above referred years have been disposed off against the Company. The Company has filed an appeal before the Income Tax Appellate Tribunal, (ITAT) Hyderabad challenging the order passed by the CIT(A). As per the independent professional opinion obtained by the Company the order passed by the CIT(A) is not tenable in law and is liable to be quashed by the appellate authorities.

While the stay petitions filed by the Company for non payment of the disputed tax demands have been rejected by the lower authorities, the Central Board of Direct Taxes (CBDT) has endorsed a copy of the stay petition to the Director General of Income Tax (Inv) Hyderabad and directed him to dispose of the stay petition by way of a speaking order, after providing appropriate opportunity of being heard to the Company which proceedings are in progress.

- ii. Financial years 2001-02, 2004-05 and 2005-06  
In addition to the demands referred to above relating to financial years 2004-05 and 2005-06, the Company has also received demands from the income tax authorities for Rs. 677 Million for the said years in the normal course of assessment against which the Company has filed an appeal before the CIT (A). As against the said demand, the Company has paid an amount of Rs. 65 Million as at March 31, 2010 (Rs. 5 Million as at March 31, 2009) under protest. The CIT (A) has passed an order allowing the grounds of appeal following the ITAT orders on same issues for the earlier years in relation to the Company, which if given effect to will result in the above demand being reduced to Nil. The CIT(A) has, however, rejected the additional grounds regarding computation of income and also directed the assessing officer to compute the tax liability after taking into account the separate orders passed for order referred in Note (i) above. The Company is in the process of filing further appeals before the ITAT.
- iii. Financial years 2006-07 and 2007-08  
Based on the information available with the Company and the reports of the investigating agencies, the Company has filed revised returns of income for the financial years 2006-07 and 2007-08, within the time stipulated under the IT Act, duly adjusting the fictitious sales and non-existent interest wrongly offered to tax in the original return of income filed by the Company. The assessing officer, however, rejected the revised return filed for the aforesaid financial years on the ground that the reports of the investigating agencies are subject to the proceedings before the Courts and that the Company has not discovered any omission or wrong statement in its original return of income, and that the revised return, if any, ought to have been filed based on the Company's revised financial statements which was not done.  
With respect to financial year 2006-07, a total demand of Rs.812 Million has been raised against the Company in the impugned order. The Company has filed an appeal against the above said rejection of its revised return contending that the Company has a right to revise its return of income under the provisions of the IT Act and once a revised return of income is validly filed within the stipulated time, the assessing officer has to consider the same during the assessment proceedings and that the assessing officer has no power under the IT Act to reject the revised return of income. The Company is of the view that the impugned order of the assessing officer, purporting to reject the revised return of the Company, is based on extraneous and irrelevant grounds, is invalid, beyond jurisdiction and is liable to be quashed by the appellate authorities.  
With respect to financial year 2007-08, prior to the Company filing the revised return, the Company received an intimation under Section 143(1) of the IT Act demanding an amount of Rs.2,562 Million on the Company rejecting the claim of the Company for foreign tax credits and tax deducted at source in view of non-availability of the details of the tax claims made by the Company. The Company has since filed the necessary details/tax credit certificates before the assessing officer. Subsequently, the Company has received a letter from the assessing officer demanding a total amount of Rs. 1,728 Million after considering the details furnished by the Company. The assessing officer also rejected the request for stay on recovery proceedings and has directed the Company to pay the entire amount along with interest immediately. The Company is evaluating its further course of action.
- iv. Petition under Section 264  
In respect of the orders under Section 154 of the IT Act relating to the financial years 2002-03 to 2005-06 referred to in (i) above, the Company filed a petition under Section 264 of the IT Act for revision of the above said orders before the Commissioner of Income Tax. The Commissioner of Income Tax had rejected the Company's petition under Section 264 on the grounds that the appeal against the same orders under Section 154 were pending before the CIT (A) at that time and pending disposal of such appeals, no revision order under Section 264 could be passed. The Company is evaluating its further course of action.
- v. Petition before the Central Board of Direct Taxes (CBDT)  
Pursuant to the matters mentioned above, the Company has filed a stay petition before the CBDT dated August 5, 2010 as per which the Company has requested the CBDT to grant stay of recovery proceedings for the financial years 2002-03 to 2007-08 till the correct quantification is done of the income and tax payable for these respective years. Accordingly, the Company has requested the CBDT to issue necessary directions to the Income Tax Department.  
While the stay petitions filed by the Company for non-payment of the disputed tax demands have been rejected by the lower authorities, the Central Board of Direct Taxes (CBDT) has endorsed a copy of the stay petition to the Director General of Income Tax (Inv) Hyderabad and directed him to dispose of the stay petition by way of a speaking order, after providing appropriate opportunity of being heard to the Company which proceedings are in progress.
- vi. Provision for taxation  
The Company is carrying a total amount of Rs. 3,686 Million (net of payments) as at March 31, 2010 (As at March 31, 2009 Rs. 4,371 Million) towards provision for taxation which was made primarily on the basis of the past financial statements. Considering the effects of financial irregularities, the status of disputed tax demands and appeals/claims pending before the various authorities, consequent uncertainties regarding the outcome of these matters and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the balance of tax provision outstanding as at the Balance Sheet date.
- vii. Software Technology Park of India (STPI) matters  
The Company has received certain communications from the STPI authorities asking for various clarifications regarding the filings made in the past and other compliance related matters. The Management has provided/is in the process of providing these details to the authorities.  
Further, the Company has also not received the certification of invoices from the STPI authorities for some of the locations as required by the relevant STPI Regulations.



## 6.7 Indirect tax matters

### i. Sales tax/ value added tax

The Company received demands from the Karnataka Sales Tax Department for financial years 2003-04 and 2004-05 totaling to Rs. 620 Million (including penalty for Rs. 104 Million), which has been paid under protest by the Company. The Company has gone on appeal against the said demand which appeal is pending before the Karnataka Appellate Tribunal.

The Company also received demands from the Andhra Pradesh Sales Tax Department amounting to Rs. 250 Million (including penalty of Rs. 119 Million) for financial years 2002-03 to 2008-09. As against the above demand, the Company paid an amount of Rs. 196 Million (including penalty of Rs.83 Million) under protest. The Company's appeal for the financial years 2002-03 to 2007-08 filed before the Appellate Deputy Commissioner of Sales Tax was rejected and the Company has filed an appeal against the same before the Sales Tax Appellate Tribunal.

The Company has also received a show cause notice of Rs. 4,554 Million to tax unlicensed software for the period 1999-00 to 2004-05 from the Tamil Nadu Sales Tax Department. The Company has submitted the necessary details to the Authorities.

### ii. Service tax

The Company had availed Service Tax Input Credit on general insurance premium, outdoor catering service, health and fitness service, house-keeping service, event management service etc. The Service Tax Department challenged the above credit for the period from March 2005 to September 2008 and has demanded service tax amounting to Rs. 212 Million (including penalty of Rs. 106 Million). The Company has gone on appeal before the Central Excise Service Tax Appellate Tribunal (CESTAT) for confirming the Service Tax Input Credit availed, which is pending final disposal.

## 6.8 Matters relating to overseas branches

The details of various claims/potential-claims/tax demands on account of tax provisions relating to the overseas branches, are given below:

Particulars	<i>(Rs. in Million)</i>	
	Amount March 31, 2010	Amount March 31, 2009
Claim arising out of the special audit initiated by the Belgian tax authorities. The audit is in progress and the Company is in the process of providing the necessary information	Not quantifiable	Not quantifiable
Income tax demands in the United States of America:		
- State of Pennsylvania	4	4
- New York State income tax liability for the years 2006, 2007 and 2008. The Company has requested the tax authorities not to proceed till the Company files restated returns. The tax authorities have granted approval to the Company's request.	106	106
- California State income tax liability for the years 2003, 2004 and 2005. The Company has requested the tax authorities not to proceed till the Company files restated returns. The tax authorities have granted approval to the Company's request.	62	62
Others	176	176

## 6.9 Compliance with employee /labour related laws

### i. Demand from Employees' State Insurance authorities and Provident Fund

During the financial year ended March 31, 2008, the Company has received a demand of Rs. 3 Million from the Regional Office, Employees State Insurance (ESI) Corporation pertaining to the period from April 2004 to March 2005. The Company has remitted Rs. 1 Million in respect of the same under protest and has appealed against the demand order which is pending final disposal at the ESI Court.

During the current year, the Company has received an order from the Employees' Provident Fund Organization demanding an amount of Rs. 3 Million pertaining to December 2008. The Company has appealed against the same before the Employees' Provident Fund Appellate Tribunal, which is pending disposal. The Company has remitted Rs. 1 Million against the said demand under protest.

### ii. Other employee/labour related laws

The Company carries out significant operations through its branches/sales offices located at various countries. The Company assessed the compliance with various other employee/labour related laws and based on such assessment done, non-compliances, wherever identified, have been appropriately dealt with.



#### 6.10 Purchase commitments in respect of subsidiaries

The details of future purchase consideration payable in respect of certain acquired subsidiaries are given below:

**As at March 31, 2010:**

<i>(Rs. in Million)</i>				
Name of subsidiary	Currency	Amount	Amount in INR	Payable by
Bridge Strategy Group LLC	USD	8	361	October 2010
<b>Total</b>			<b>361</b>	

**As at March 31, 2009:**

<i>(Rs. in Million)</i>				
Name of subsidiary	Currency	Amount	Amount in INR	Payable by
Bridge Strategy Group LLC	USD	8	408	October 2010
<b>Total</b>			<b>408</b>	

#### 6.11 Dispute with Venture Global LLC

The Company and Venture Global Engineering LLC (VGE) entered into a Joint Venture Agreement on October 20, 1999 to form an Indian Company called Satyam Venture Engineering Services Private Limited (SVES). SVES was formed to provide engineering services to the automotive industry. The capital participation of the Company and VGE was in the ratio of 50:50. On or around March 20, 2003 numerous corporate affiliates of VGE filed for bankruptcy. This triggered the option for the Company to purchase VGE's shares of SVES under the Shareholder's Agreement which the Company exercised. As VGE disputed the Company's action, the Company requested for arbitration with the London Court of International Arbitration (LCIA) as provided in the Shareholder's Agreement.

The Arbitrator gave an award dated April 3, 2006 in favour of the Company. The Company filed for enforcement and recognition of the award before the District Court of Michigan, U.S.A. The District Court on July 31, 2006 directed enforcement of the award and the Sixth Grant Court of Appeals in US on May 25, 2007 affirmed it. On April 28, 2006, while the proceedings were pending in the USA, VGE also filed a suit before the District Court of Secunderabad in India for setting aside the award dated April 3, 2006. The District Court of Secunderabad and the High Court of Andhra Pradesh dismissed VGE's petition for setting aside the award. On an appeal by VGE, the Supreme Court of India on January 10, 2008, set aside the orders of the District Court and the High Court and remanded the matter back to City Civil Court, Hyderabad for hearing on merits. The Supreme Court also directed status quo with regard to transfer of shares till the disposal of the suit.

On January 17, 2008, the District Court of Michigan held VGE in contempt for its failure to honour the award and amongst others directed VGE to dismiss its Board members and replace them with individuals nominated by the Company. The order of the District Court of Michigan in contempt proceeding was affirmed by the Sixth Court of Appeals on April 9, 2009. Following this VGE has appointed the Company's nominees on the Board of SVES and SVES confirmed the appointment at its Board meeting held on June 26, 2008. The Company is legally advised that SVES became its subsidiary only with effect from that date.

VGE also sought to file an application for bringing additional pleadings on record in the matter pending before the City Civil Court which allowed VGE's application. As the High Court of Andhra Pradesh allowed the Company's appeal against the order of the City Civil Court, VGE appealed against the order of the High Court to the Supreme Court. The Supreme Court on August 11, 2010 allowed VGE's application to bring on record additional pleadings. The matter is pending before the City Civil Court, Hyderabad.

#### 6.12 Other claims/contingencies/commitments

(i) The details of other claims/contingencies/commitments as at March 31, 2010 are summarised below:

Particulars	<i>(Rs. in Million)</i>	
	As at March 31, 2010	As at March 31, 2009
Vendor claims	95	107
Employee claims	39	24
Customer claims	90	90
Other shareholder claims	-	0.3
Claims from promoters of subsidiaries	Refer Note 13.5 of Schedule 18	Refer Note 13.5 of Schedule 18
Guarantees/Comfort letters provided by the Company	Refer Note 30 of Schedule 18	Refer Note 30 of Schedule 18
Bank guarantees outstanding	1,600	1,832
Corporate guarantees given on behalf of a subsidiary in respect of a loan availed by the subsidiary	-	3,345
Contracts pending execution on capital accounts (net of advances)	3,436	3,378

(ii) The Company has certain outstanding export obligations/commitments as at March 31, 2010. The Management is confident of meeting these obligations/commitments within the stipulated period of time/obtaining suitable extensions, wherever required.





### 6.13 Management's assessment of contingencies/claims

The amounts disclosed under contingencies/claims represent the best possible estimates arrived at on the basis of the available information. Due to the high degree of judgment required in determining the amount of potential loss related to the various claims and litigations mentioned above in which the Company is involved and the inherent uncertainty in predicting future settlements and judicial decisions, the Company cannot estimate a range of possible losses. However, excluding the liability, if any, arising from the class action suits as mentioned in Note 6.3 of Schedule 18 for which the outcome is not determinable at this stage, the Company has made appropriate provision for contingencies as at March 31, 2010 which, in the opinion of the Management, is adequate to cover any probable losses in respect of the above litigations and claims. Refer Note 35.2 of Schedule 18.

### 7. Insurance claims

A Directors and Officers Liability Policy ('D&O Policy') had been taken by the Company to protect its directors and officers against legal costs incurred by them in defending allegations or suits brought against them for wrongful acts and any awards granted against them, including out of court settlements. The D&O Policy also protects the Company if it is exposed to a 'Securities Claim' as defined under the D&O Policy. The primary policy for the period from October 15, 2008 to October 14, 2009 had been issued by the Lead Insurer, and secondary policy forming multiple layers of coverage in excess of the primary policy had been issued by other insurance companies.

The Company has notified the Lead Insurer regarding receipt of notices from several regulatory authorities and the class action suits.

The Lead Insurer, while expressly reserving its rights under the D&O Policy, has taken a preliminary view and disputed the claim under the D&O Policy. The Company has replied wherein it has expressly reserved its rights with respect to the D&O Policy and disagreed with a number of statements and positions taken by the Lead Insurer.

The Company is examining various options for proceedings against the Lead Insurer and, hence, the outcome is uncertain at this stage.

### 8. Regulatory non-compliances/breaches

During the previous year, the Company had identified certain non-compliances/breaches of various laws and regulations of the Company under the erstwhile management including but not limited to the following:

#### 8.1 The Companies Act, 1956 ('the Act')

- (i) Payment of remuneration/commission to whole-time directors/non-executive directors in excess of the limits prescribed under the Act.

Pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Act the shareholders of the Company had approved remuneration to Mr. B. Ramalinga Raju, Mr. B. Rama Raju and Mr. Ram Mynampati, the erstwhile Whole-time directors of the Company.

The details of remuneration paid to the whole-time directors for the financial year 2008 - 09 is given below:

Name of the Director	2008-09 (Refer Note 21 of Schedule 18)
Mr. B. Ramalinga Raju	5
Mr. B. Rama Raju	4
Mr. Ram Mynampati	21
<b>Total</b>	<b>30</b>

As the Company had incurred losses in the previous year the actual remuneration paid to the whole-time directors is in excess of the amounts payable to them as minimum remuneration in accordance with the provisions of Schedule XIII of the Act to the extent of Rs. 23 Million for the year 2008-09 and hence, the excess amount is accounted as recoverable from the respective directors who received it. The Company is proposing to initiate proceedings for recovery of the aforesaid excess remuneration paid for the year 2008-09 from the respective directors.

The Company had also paid Rs. 11 Million towards commission to non-executive directors during the financial year 2008-09. For the reasons stated above, the actual commission paid to the non-executive directors is in excess of the amounts payable to them in accordance with the provisions of the Act to the extent of Rs.11 Million for the year 2008-09 and hence, the excess amount is accounted as recoverable from the respective directors who received it. The Company is proposing to initiate proceedings for recovery of the aforesaid excess commission paid for the year 2008-09 from the respective directors.

For the financial years prior to 2008-09:

The Company is exploring the possibility of recovering the excess remuneration/commission, if any, paid by the Company to the respective directors for the years prior to 2008-09.

- (ii) Unauthorised borrowings

The investigations revealed that the Company borrowed Rs. 7,201 Million from various banks without obtaining board approvals during the period from April 1, 2002 till September 30, 2008. Also Refer Note 3.3(i) of Schedule 18.

The Company has repaid the entire amount as at March 31, 2009.

In the absence of Board / shareholders approval, for the above borrowings, the Company has violated Section 292(1)(c) and Section 293(1)(d) of the Act.

(iii) Excess contributions

The Company with the prior approval of Board in its meeting held on July 21, 2005, contributed amounts aggregating Rs. 141 Million to Satyam Foundation from June 2005 to September 2008.

As per Section 293 (1)(e) of the Act, except with the consent of the shareholders in a general meeting, contributions by the Company to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, shall not exceed fifty thousand rupees, or five per cent, of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three immediately preceding financial years, whichever is greater.

The Company is exploring the possibility of recovering the excess contributions, if any, made to Satyam Foundation from the erstwhile directors for the period from June 2005 to September 2008.

(iv) Loan to ASOP Trust without prior approval

The Company has given a loan of Rs. 50 Million to Satyam Associate Trust on February 14, 2007 without obtaining the prior approval of the Board of Directors or delegation of such power as required under Section 292(1)(e) of the Act.

(v) Delay in deposit of dividend in the bank

The Company had paid dividend to its shareholders during the financial years 2001- 02 to 2008-09. Both interim and final dividends were paid within the statutory limit of 30 days from the date of declaration as per Section 205 of the Act. However, in some cases, the amount towards dividends was deposited in the bank account opened for payment of dividend after five days from the date of declaration of such dividend contrary to the provisions of Section 205(1A) of the Act.

(vi) Dividend paid without profits

For the financial year 2008-09, the Company declared and paid an amount of Rs. 674 Million as interim dividend based on the approval obtained from the erstwhile Board of Directors of the Company vide their resolution dated October 17, 2008. As the Company has incurred losses in the current year (even before prior period adjustments identified on account of the financial irregularities during the earlier years), there were no profits for the purpose of declaring dividend and, hence, there is a non-compliance of Section 205 of the Act.

The Company has been legally advised that it has a right of recourse against the erstwhile Board of Directors for declaration and payment of dividend in view of the absence of profits for the year 2008-09. The Company is proposing to initiate proceedings against the erstwhile directors for recovery of dividends paid to the shareholders for the year 2008-09.

For the financial years prior to 2008-09:

The Company is exploring the possibility of recovering the dividend paid to the shareholders from the erstwhile directors for the years prior to 2008-09, if such payment was in contravention with the provisions of Section 205 of the Act.

(vii) Non-transfer of profits to general reserve relating to interim dividend declared

Consequent to the interim dividend declared and paid by the Company for the financial year 2008-09, the Company has to transfer a minimum stipulated amount to the General Reserve in accordance with the provisions of the Companies (Transfer of Profits to Reserves Rules), 1975. As the Company has incurred losses in the current year (even before prior period adjustments identified on account of the financial irregularities during the earlier years), there is an inadequate balance in the Profit and Loss account for the purpose of transfer of such amount to the General Reserve and, accordingly, no such transfer to the General Reserve could be effected.

For the financial years prior to 2008-09:

The Company has not determined whether there was inadequate balance in the Profit and Loss account during the years prior to 2008-09 for the purpose of transfer of amounts to the General Reserve relating to dividends declared.

(viii) Utilisation of the Securities Premium account

As per the method of accounting followed by the Company, the fringe benefit tax (FBT) (till such time it was applicable) on ASOP was recovered from the employees as part of the amount received towards allotment of shares on exercise of the options. At the time of recovery, this amount was netted off against the FBT expense in the Profit and Loss account.

During the year ended March 31, 2008, as per the accounting policy followed by the Company in that year, the Company had included the amount recovered from employees towards FBT aggregating Rs. 168 Million as part of the Securities Premium account and debited the FBT liability towards stock options exercised during the year 2007-08 amounting to Rs. 192 Million to the Securities Premium account.

During the previous year ended March 31, 2009, the Company, obtained legal advice in this regard and was of the opinion that the amounts of such recovery and remittance of FBT should not have been routed through the Securities Premium account and, hence, corrected the same in the financial statements to the extent of the excess amount of Rs. 24 Million, representing short recovery of FBT from employees, which was incorrectly debited to the Securities Premium account and which could result in violation of the provisions of Section 78 of the Act.

(ix) Declaration of bonus shares

In respect of issue of bonus shares in the prior periods, the Company is in the process of determining whether there has been any non compliance with the provisions of the Act.



(x) Company law violations as per SFIO reports

Consequent to the letter written by the erstwhile Chairman, SFIO investigated into the affairs of Company under Section 235 of the Act. As a result of the investigation, SFIO filed seven cases on company law violations, out of which the Company was accused in the two cases mentioned below:

- (a) The payment of professional fee to Mr. Krishna G Palepu, a non-executive director was with the approval of shareholders by way of special resolution passed in the Annual General Meeting held on August 21, 2006 as per the provisions of Section 314 of the Act. However, the SFIO held that the Company had not complied with Section 309 of the Act in seeking the opinion of the Central Government on the requisite qualifications possessed by the director for the practice of the profession. The SFIO held that the instant case was not covered under Section 314 of the Act as the terms of reference given to Mr. Krishna G Palepu did not indicate the assignment of any specific position or office of profit to him in the Company.

The Union of India has commenced prosecution in the Court of the Special Judge for Economic Offences at Hyderabad under Section 621 alleging violation of Section 309 read with Section 629A of the Act. The trial is ongoing. It has also sought refund of the amount paid to Mr. Krishna G Palepu to the Company. The Company has filed a compounding application with respect to the said offence.

- (b) The SFIO stated that the Company had filed incomplete Balance Sheets as on March 31, 2007 and March 31, 2008 on the MCA website as the attachments of the balance sheets did not contain the directors' report along with the annexure required under the various rules, the auditors' report for the financial year 2006 - 07 and schedules to the Balance Sheet, the directors' report along with the required annexure and the auditors' report for the financial year 2007 - 08 thereby violating the provisions of Section 220 of the Act.

The Company has not received any communication from the Registrar of Companies, Andhra Pradesh seeking clarification on the incomplete filing for the financial year 2006 - 07. Approval for the filing for financial year 2007 - 08 was received by the Company and all the required documents except auditors' report are available on the MCA website.

The Union of India has commenced prosecution in the Court of Special Judge for Economic Offences at Hyderabad under Section 621 alleging violation of Section 220 read with Section 162 of the Act for filing incomplete balance sheets. The trial is ongoing. The Company has filed a compounding application with respect to the said offence.

## 8.2 SEBI

The Company had formulated the Associate Stock Option Plan (ASOP) A scheme prior to issue of the ESOP Guidelines by SEBI. This plan is administered through the Trust and the Trust has been granting warrants from time to time. On the pretext that the ASOP A scheme was framed prior to the current ESOP guidelines as amended by a notification issued on June 30, 2003, the details of warrants granted under the ASOP A scheme during the financial years 2003 - 04 to 2007 - 08 were not provided under the disclosures made in the Directors Report as required under Clause 12(1) of the aforementioned guidelines and in the disclosures required to be made in the financial statements of the Company. Further, no stock compensation costs were recorded by the Company in its financial statements for the above mentioned period. This is in violation of the ESOP Guidelines issued by SEBI.

## 8.3 Foreign Exchange Management Act (FEMA), 1999

- (i) In some of the cases, the Company has not been able to do a "one on one" matching of the foreign currency receipts against the Foreign Inward Remittance Certificates (FIRC) obtained from the bankers. Pending such matching, the Company has appropriated the collections based on and to the extent of the information available with the Management. Further, the Company has not filed such invoice wise FIRC details with Authorised dealer as required by the FEMA regulations.

- (ii) There are certain uncollected dues/receivables in foreign currency which are outstanding for a long period of time for which the required permission for extension of time has not been obtained from the appropriate authorities.

The Company is in the process of regularising the same and filing all the required applications/details.

## 8.4 Delay in filing of return of income with the audited financial statements

Consequent to the events mentioned in Note 3.1 of Schedule 18 above and pending finalisation of the accounts as at the due date for filing the return of income, the Company had not yet filed the return of income for the previous financial year ended March 31, 2009 within the time stipulated under the provisions of the IT Act. However, the Company had filed a provisional return of income on September 30, 2009 for the previous year ended March 31, 2009. The Company has received a notice from the assessing officer asking the Company to show cause as to why a penalty should not be levied under Section 271B for the failure to get the books of account audited under the provisions of Section 44AB of the IT Act.

The Company had filed a petition before the CBDT under Section 119 of the IT Act seeking extension for complying with the various statutory requirements under the IT Act and such extension have been granted till October 31, 2010.

## 8.5 Non-availability of exemption certificates/tax deduction certificates

In respect of deduction claimed under Section 10A of the IT Act for the financial year 2007 - 08, signed certificates in Form 56F, which are required to be furnished to the Department at the time of the assessment, are not readily available with the Company. Non furnishing of such signed copies may result in a disallowance in the exemption claim of the Company and a tax liability on account of the same. Based on legal advice obtained by the Company, the Company is of the view that no provision is required to be made in the financial statements at this juncture and the Company can submit the Form 56Fs, duly certified by a Chartered Accountant at the time of the assessment. Further, the Company has filed a revised return for financial year 2007-08 for which the Company has received the Form 56Fs duly certified by a Chartered Accountant.

The Company also had certain old withholding tax claims made in prior years, the certificates for which are either non-existent or the originals are not available. The Company identified such instances to the extent of the information available with the Company and suitably adjusted the same in the Profit and Loss account.

#### **8.6 Delay in filing of tax returns in overseas jurisdictions**

There have also been cases of delay in filing of tax returns (income tax and sales tax) within the stipulated time period in some of the overseas countries primarily in the past, the potential liability on account of which is not ascertainable at this stage. The Company is of the opinion that the likely liability on account of the same is not expected to have a material impact on the financial statements.

#### **8.7 Management's assessment of the statutory non compliances**

The Management believes that the various non-compliances and breaches by the Company of the statutory requirements which have been noticed/observed, duly considering the findings of the forensic investigation/other ongoing regulatory investigations have been summarised above. The Company is proposing to make an application to appropriate authorities, where applicable, for condoning these non-compliances and breaches relating to the Company. The possible impact of these non-compliances and breaches in the event the Company's condonation requests, where applicable, are not granted has not been determined or recognised in the financial statements.

### **9. Financial Reporting Process**

#### **9.1 Internal control matters**

As at March 31, 2010:

Post the bidding process, Venturbay appointed its nominees on the Board of the Company in the month of June 2009. Subsequently, the Company took various steps including induction of some senior managerial personnel into the Company. The new Management then evaluated the internal control situation existing in the Company and identified various internal control deficiencies and weaknesses. Pursuant to such evaluation, the Company concluded that for the year ended March 31, 2009, the internal controls and procedures of the Company were not effective at reasonable assurance level and reported the same in its annual accounts pertaining to the financial year ended March 31, 2009. While the Company under the new Management took several steps during the year to mitigate some of the identified internal control deficiencies and weaknesses, other identified internal control weaknesses and deficiencies continued during the financial year ended March 31, 2010 also. Some of the key findings of the internal control evaluation exercise and the remediation action taken by the new Management relating to the financial year ended March 31, 2010 are:

- For part of the year, the Company did not maintain an effective control environment at the entity level; The new Management took steps to:
- ✓ Appoint a new Audit Committee consisting of the two Government nominated Directors and the two independent Directors. One of the Government nominated Directors is the Chairman of the Audit Committee. During the year, the Audit Committee reviewed and modified the Audit Committee Charter.
- ✓ Revised the Code of Ethical Business Conduct (CEBC), including the whistle blower policy.
- ✓ Nominated a Corporate Ombudsman to monitor the implementation of the CEBC, including the whistle blower policy.
- ✓ Initiated a review of compensation policy, performance management system, sales incentive policy, recruitment policy, travel policy etc.
- For part of the year, the risk oversight function lacked enterprise-wide coordination, and an effective approach to performing entity-wide risk assessment. The new Management took steps to formulate an entity wide risk management policy, approved by the Board.
- For part of the year the deficiencies in Internal Audit continued and adversely affected the ability to identify control weaknesses. The new Management strengthened the Internal Audit function by appointing a reputed and independent external agency as its Internal Auditor.
- During the year, some of the earlier identified control deficiencies and weaknesses continued. For example, multiple non-integrated software platforms are being used for financial reporting. There are unexplained/unreconciled balances between sub-system/sub-ledgers and the general ledger. Deficiencies in the process of revenue recognition and receivables management as well as in IT general and application controls and in the financial closing and reporting process continue. The customer/vendor confirmation process was also not effective.

The new Management, for the purpose of ensuring appropriate controls over the financial reporting process and the preparation of the financial statements for the year ended March 31, 2010, has implemented specific procedures like manual reconciliations between the various sub-systems/sub-ledgers and the general ledger, requests for various balance confirmations as part of the year end closure process, confirmation of the department wise financial details by the business leaders, preparation and review of proper bank reconciliation statements, review of the revenue recognition policies and procedures, preparation and review of schedules for key account balances, implementing proper approval mechanisms, closer monitoring of the financial closure process etc.

In addition, physical verification of fixed assets was conducted by the new Management through an external consultant and the deficiencies that were noticed were appropriately dealt with in the books.



## 9.2 Non availability of documents/ information

As stated in Notes 3.2 and 3.8 of Schedule 18, certain documents/information could not be either located or were unavailable to substantiate the transactions. Such instances of unavailable/non-traceable documents/information were also noted during the preparation of the financial statements by the Management. Some of these documents relate to the areas of revenue, expenses, fixed assets, current assets and current liabilities and include documents pertaining to the period prior to April 1, 2008.

In the absence of such documents/information, adjustments required in respect of the opening balances as at April 1, 2008 (including the adjustments consequent to the assessment of consistent application of accounting policies) have been carried out to the extent feasible by the Management, based on available alternate evidences/information.

## 9.3 Reconciliations

With respect to some of the key business processes like revenues, expenses, payroll, fixed assets, etc., the Company uses various sub-systems, the output from which, is being used for accounting in the financial package maintained by the Company. Within the financial package, there are also sub-ledgers and general ledger. In this respect, certain reconciliations between the sub-systems/sub-ledgers and the general ledger could not be performed completely due to non-availability of all the required information. Further, there are certain differences between the sub systems which provide the inputs to the main sub system, which is ultimately interfaced to the general ledger, for which complete details are not available.

Consequently, adjustments arising on account of these reconciliations have been carried out to the extent feasible by the Management, based on the available information. Based on the same, the Company has identified certain transactions amounting to Rs.47 Million (March 31, 2009 – Rs. 27 Million) (net debit) (comprising of Rs. 515 Million (Rs. 494 Million as at March 31, 2009) of gross debits and Rs. 468 Million (Rs. 467 Million as at March 31, 2009) of gross credits, for which the complete details are not available, hence, these amounts have been accounted under “Unexplained Differences Suspense Account (Net)” under Schedule 12 and the Management has provided for the unexplained net amount of Rs. 20 Million as at March 31, 2010 (Rs. 27 Million as at March 31, 2009) by debit to the Profit and Loss Account on grounds of prudence. Refer Note 35.3 of Schedule 18.

## 9.4 Confirmation of balances/other details

As part of the year-end financial reporting and closure process, requests for confirmation of balances/other details were sent out to various parties including banks, customers, vendors, employees, landlords, others etc., for confirming the year end balances/other details. However, confirmations could not be sent out to some of the parties consequent to non-availability of complete records/addresses relating to these parties. The response received from the parties reflected under sundry debtors, current liabilities and loans and advances was minimal compared to the overall number of confirmations sent out in spite of follow-up by the Company.

With respect to the cases where the confirmation responses were received, reconciliations have been performed based on the information available with the Company and necessary adjustments have been carried out in the financial statements.

With respect to the cases where the balances/other details were not confirmed by the parties, necessary adjustments including provision for debtors, provision for advances, provision for expenses have been carried out in the financial statements based on the information available with the Management.

## 9.5 Risks and uncertainties

There are risks and uncertainties relevant to the Company's financial condition, results of operations and liquidity positions that may affect future performance.

Some of the key risks and uncertainties that might impact the Company's business are stated as under:

(i) *Risk of un-identified financial irregularities*

In view of the significant limitations in the forensic investigation as stated in Note 3.2 of Schedule 18, there is a risk that material errors, fraud and other illegal acts may exist that remain undetected.

(ii) *Risk of adverse outcome of investigation by law enforcement agencies*

Several law enforcement agencies such as CBI, SEBI, SFIO and ED in India and SEC in the USA are currently investigating the extent of financial irregularities and breach of law by the erstwhile Chairman and other former employees of the Company. Refer Note 3 of Schedule 18. The Company may be exposed to liabilities in case of any adverse outcome of these investigations.

(iii) *Risk of substantial adverse outcome of litigation and claims*

Refer Note 6 of Schedule 18 for the details of open litigation and claims including class action law suits from shareholders in the United States of America (USA) which, if proven, could give rise to substantial liabilities. The Company is defending these litigations in various courts in India and in the USA.

(iv) *Risk of non-compliances/breaches with various laws and regulation*

The financial irregularities perpetrated by the erstwhile Chairman and former employees of the Company have led to violations of several laws and regulations including the Companies Act, 1956, guidelines prescribed by SEBI, Reserve Bank of India ('RBI') regulations, etc. The Company is exposed to liabilities in cases where these laws/ regulations have been violated and the Company's application for condonation, where applicable, is not granted. Refer Note 8 of Schedule 18.

## 9.6 Management's assessment on financial reporting

Based on the assessment of the above and the information available with the Management at this stage and the corrective actions taken, the Management believes that these financial statements, read with the notes thereon, do not contain any material misstatements/ omissions, in respect of the above.

## 10. Employee stock option schemes

The ESOP guidelines issued by SEBI are applicable to options / shares granted / allotted on or after June 19, 1999. These guidelines were amended subsequently on June 30, 2003 to include the stock options granted by a Trust for the schemes administered by the Trust.

### 10.1 Associate Stock Option Plan A (ASOP-A)

In May 1998, the Company established its ASOP Plan which provides for the issue of 1,300,000 warrants having a face value of Rs. 10 at a price of Rs. 450 per warrant. The Company issued these warrants to an associate controlled welfare trust called the Satyam Associate Trust formed vide agreement dated August 16, 1999. At the twelfth 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 that all its employees receive the benefits of the bonus issue, the Trust was allotted the bonus shares for the warrants held by the Trust. The Trust exercised all its warrants to purchase the shares from the Company prior to stock split using the proceeds obtained from bank loans. The Trust grants warrants to eligible employees to purchase equity shares held by the Trust. 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. The warrants vested on employees needs to be exercised within 30 days from the date of vesting.

Subsequent to the bonus issue and share split each warrant entitles the holder to purchase 20 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. As at March 31, 2010 and March 31, 2009, 6,500,000 equity shares of Rs. 2 each have been allotted to the Satyam Associate Trust under ASOP A.

Till March 31, 2008, the Company was of the view that the employee stock options granted under the ASOP A plan administered by the Trust is the Scheme which has been established prior to the SEBI guidelines on the stock options, hence, no cost relating to the grant of options need to be recorded under this scheme. During the previous year ended March 31, 2009, based on a legal opinion obtained, the Company became aware that the SEBI guidelines are applicable to the employee stock options granted under this plan in respect of accounting periods commencing on or after June 30, 2003. Consequently, the Company recorded a cumulative amount of Rs. 270 Million towards the cost of stock options for the period from June 30, 2003 to March 31, 2009 issued to employees under the ASOP A plan during the previous year. Out of this, an amount of Rs. 186 Million relates to the cost for the period prior to April 1, 2008 which has been charged in the previous year to the Profit and Loss account as prior period adjustments. Refer Note 3.3(iii) of Schedule - 18.

As at March 31, 2010, 3,500 options, (net of cancellations) (March 31, 2009 - 10,815 options) for a total number of 70,000 equity shares (March 31, 2009 - 216,300) of Rs. 2 each were outstanding.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,			
	2010		2009	
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	10,815	1,627	2,600	1,511
Granted	-	-	16,150	1,569
Exercised	-	-	(6,925)	(1,443)
Forfeited	(2,680)	1,575	(1,010)	(1,666)
Lapsed	(4,635)	1,701	-	-
At the end of the year	3,500	1,701	10,815	1,627

For options outstanding at the end of the current year, the exercise price was Rs. 1,701 (March 31, 2009 - Rs. 1,409 to Rs. 1,701) and the weighted average remaining contractual life is 0.09 years (March 31, 2009 - 0.57 years).

No options were granted during the current year. The weighted average fair value of options granted during the previous year ended March 31, 2009 was Rs.6,440.

No options were exercised during the current year. For the options that were exercised during the previous year ended March 31, 2009, the weighted average share price on the date of exercise was Rs. 388.59.

### 10.2 Associate Stock Option Plan (ASOP-B)

The Company has established a scheme 'Associate Stock Option Plan-B' (ASOP - B) for which 58,146,872 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 equity shares. As at March 31, 2010, 28,739,939 (March 31, 2009 - 28,735,133) equity shares of Rs. 2 each have been allotted to the associates under ASOP-B.

Accordingly, options (net of cancellations) for a total number of 21,108,842 (March 31, 2009 - 12,062,094) equity shares of Rs. 2 each were outstanding as at March 31, 2010.

Changes in number of options outstanding and their weighted average exercise price were as follows:





Particulars	For the year ended March 31,			
	2010		2009	
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	12,062,094	166.37	15,641,127	167.21
Granted	13,721,385	109.60	-	-
Exercised	(4,806)	96.96	(2,953,573)	170.72
Forfeited	(4,485,997)	168.35	(568,479)	183.16
Lapsed	(183,834)	176.19	(56,981)	176.45
At the end of the year	21,108,842	134.94	12,062,094	166.37

For options outstanding at the end of the current year, the exercise price was in the range of Rs. 77 - Rs. 328 (March 31, 2009 – Rs. 77 – Rs. 328) and the weighted average remaining contractual life is 5.17 years (March 31, 2009 – 3.04 years).

The weighted average fair value of options granted during the current year was Rs. 72.53. No options were granted during the previous year ended March 31, 2009.

For the options that were exercised during the current year, the weighted average share price on the date of exercise was Rs.101.47 (March 31, 2009 – Rs. 436).

### 10.3 Associate Stock Option Plan (ASOP-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 in May 2000. Under the scheme 3,456,383 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 the grant converted into Indian Rupees at the rate of exchange prevalent on the day of the 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). As at March 31, 2010, 1,246,955 ADS (March 31, 2009 – 1,246,955) representing 2,493,910 March 31, 2009 – 2,493,910) equity shares of Rs. 2 each have been allotted to the associates under ASOP-ADS.

Accordingly, options (net of cancellation) for a total number of 1,684,052 (March 31, 2009 – 1,195,642) ADS representing 3,368,104 (March 31, 2009 – 2,391,284) equity shares of Rs. 2 each were outstanding as at March 31, 2010.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,			
	2010		2009	
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	1,195,642	440.08	1,283,118	429.20
Granted	1,316,991	257.67	-	-
Exercised	-	-	(83,402)	279.48
Forfeited	(802,193)	430.86	(2,796)	231.65
Lapsed	(26,388)	243.38	(1,278)	240.23
At the end of the year	1,684,052	292.68	1,195,642	440.08

For options outstanding at the end of the current year, the exercise price was in the range of Rs. 178.79 - Rs. 640.60 (March 31, 2009 – Rs. 151 – Rs 632) and the weighted average remaining contractual life is 5.30 years (March 31, 2009 – 2.28 years).

The weighted average fair value of options granted during the current year was Rs.192.12. No options were granted during the previous year ended March 31, 2009.

No options were exercised during the current year. For the options that were exercised during the previous year ended March 31, 2009 the weighted average unit price on the date of exercise was Rs. 1,005.

### 10.4 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 in May 2000. 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. As at March 31, 2010, 974,882 (March 31, 2009 – 393,637) equity shares of Rs. 2 each have been allotted to the associates under ASOP-RSUs.



Accordingly, options (net of cancellations) for a total number of 1,333,308 (March 31, 2009 – 2,767,973) ASOP-RSUs equity shares of Rs. 2 each were outstanding as at March 31, 2010.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,			
	2010		2009	
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	2,767,973	2.00	3,150,202	2.00
Granted	-	-	61,500	2.00
Exercised	(581,245)	2.00	(273,188)	2.00
Forfeited	(853,420)	2.00	(170,541)	2.00
Lapsed	-	-	-	-
At the end of the year	1,333,308	2.00	2,767,973	2.00

For options outstanding at the end of the current year, the exercise price was Rs. 2 (March 31, 2009 – Rs. 2) and the weighted average remaining contractual life is 4.71 years (March 31, 2009 – 5.63 years).

No options were granted during the current year. The weighted average fair value of options granted during the previous year ended March 31, 2009 was Rs. 444.

For the options that were exercised during the current year, the weighted average share price on the date of exercise was Rs. 93.01 (March 31, 2009 – Rs. 423).

#### 10.5 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 in May 2000. 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. Each ADS represents two equity shares of Rs. 2 each fully paid up. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the options upon vesting is five years from the date of vesting. As at March 31, 2010, 159,734 (March 31, 2009 – 18,687) RSUs (ADS) representing 319,468 (March 31, 2009 – 37,374) equity shares of Rs. 2 each have been allotted to the associates under ASOP – RSUs (ADS).

Accordingly, options (net of cancellation) for a total number of 233,060 (March 31, 2009 – 495,175) ADS representing 466,120 (March 31, 2009 – 990,350) equity shares of Rs. 2 each were outstanding as at March 31, 2010.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,			
	2010		2009	
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	495,175	4.00	249,715	4.00
Granted	10,182	4.00	282,263	4.00
Exercised	(141,047)	4.00	(10,967)	4.00
Forfeited	(131,250)	4.00	(25,836)	4.00
Lapsed	-	-	-	-
At the end of the year	233,060	4.00	495,175	4.00

For options outstanding at the end of the current year, the exercise price was Rs. 4 (March 31, 2009 – Rs. 4) and the weighted average remaining contractual life is 5.91 (March 31, 2009 – 5.91) years.

The weighted average fair value of options granted during the current year was Rs. 178.61 (March 31, 2009 – Rs. 1,027).

For the options that were exercised during the current year, the weighted average unit price on the date of exercise was Rs. 250.50 (March 31, 2009 – Rs. 1,020).



## 10.6 Pro forma disclosures

In accordance with the ESOP guidelines issued by SEBI, had the compensation cost for employee stock option plans been recognised based on the fair value method at the date of the grant in accordance with the Black Scholes' model (determined based on the report of an independent agency), the pro forma amounts of the Company's profit/(loss) and earnings per share would have been as follows:

Particulars	For the year ended March 31,	
	2010	2009
<b>Net (Loss) after taxation as reported (Rs. in Million)</b>	<b>(712)</b>	<b>(79,352)</b>
Add: Employee stock option compensation expense (intrinsic value method) (including prior period adjustment of Rs. Nil (2009 – Rs. 186 Million)) (Refer Note 3.3(iii) of Schedule 18) (Rs. in Million)	(181)	814
Less: Employee stock option compensation expense (2009 – including prior period adjustment of Rs. 187 Million) (fair value method) (Rs. in Million)	89	874
<b>Pro forma (Loss) (Rs. in Million)</b>	<b>(982)</b>	<b>(79,412)</b>
<b>Earnings per share</b>		
<b>Basic</b>		
- No. of shares	1,093,000,622	673,014,491
- EPS as reported (Rs.)	(0.65)	(117.91)
- Pro forma EPS (Rs.)	(0.90)	(117.99)
<b>Diluted</b>		
- No. of shares	1,093,000,622	673,014,491
- EPS as reported (Rs.)	(0.65)	(117.91)
- Pro forma EPS (Rs.)	(0.90)	(117.99)

The following assumptions were used for calculation of fair value of grants:

Assumptions for 2009-10

### ASOP A plan:

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Exercise price	Nil	Rs. 1,409-Rs. 1,701
Grant date share price	Nil	Rs. 398.90
Dividend yield (%)	Nil	0.78%-0.68%
Expected volatility (%)	Nil	40.51%-55.57%
Risk-free interest rate (%)	Nil	8.12%
Expected term (in years)	Nil	0.04-2.04 years

### ASOP B plan:

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Exercise price	Rs. 104.25-Rs. 109.65	Nil
Grant date share price	Rs. 101.80-Rs. 102.10	Nil
Dividend yield (%)	0.56%-0.92%	Nil
Expected volatility (%)	83.78%-108.86%	Nil
Risk-free interest rate (%)	7.75%	Nil
Expected term (in years)	3.5-6.5 years	Nil

### ASOP ADS plan:

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Exercise price	Rs. 245.39-Rs. 257.81	Nil
Grant date share price	Rs. 235.72-Rs. 241.37	Nil
Dividend yield (%)	0.56%-0.92%	Nil
Expected volatility (%)	103.97%-135.24%	Nil
Risk-free interest rate (%)	7.75%	Nil
Expected term (in years)	3.5-6.5 years	Nil

**ASOP RSU plan:**

Particulars	For the year ended March 31,2010	For the year ended March 31,2009
Exercise price	Nil	Rs. 2
Grant date share price	Nil	Rs. 459
Dividend yield (%)	Nil	0.87%-1.10%
Expected volatility (%)	Nil	37.17%-43.57%
Risk-free interest rate (%)	Nil	8.12%
Expected term (in years)	Nil	3.5-6.5 years

**ASOP RSU-ADS plan:**

Particulars	For the year ended March 31,2010	For the year ended March 31,2009
Exercise price	Rs. 4	Rs. 4
Grant date share price	Rs. 184.54	Rs. 1,012-Rs. 1,063
Dividend yield (%)	0.56%	0.87%-1.10%
Expected volatility (%)	133.62%	39.26%-49.17%
Risk-free interest rate (%)	7.75%	8.12%
Expected term (in years)	3.5 years	3.5-6.5 years

**11. Share application money pending allotment**

The amount received from the associates on exercise of stock options is accounted as Share Application Money Pending Allotment. Upon allotment, the amount received corresponding to the shares allotted against the options exercised is transferred to Share Capital and Securities Premium Account (if applicable) and Fringe Benefit Tax (if applicable) recovered from associates. An amount of Rs. 575,320 is outstanding as at March 31, 2010 (as at March 31, 2009 - Rs. 304,316) representing amounts received from associates of the Company on exercise of stock options towards face value, securities premium and Fringe Benefit Tax recovered by the Company from the associates, pending allotment of shares.

**12. Accounting for fixed assets/depreciation**
**12.1 Prior period adjustments in the previous year relating to fixed assets and depreciation**

During the previous year, there were certain errors in capitalisation of fixed assets and computation of depreciation in the past. Accordingly, the Company rectified the accounting for the capitalisation of such fixed assets acquired in prior years and also re-computed the depreciation on the basis of the information available with the Management. As a result, assets aggregating Rs. 3,556 Million were capitalised and disclosed as part of adjustments to the gross block during the previous year in Schedule 4. Further, depreciation to the extent of Rs. 678 Million was charged to the Profit and Loss account during the previous year relating to the years prior to 2008-2009 and was disclosed as part of prior period adjustments (Refer Note 3.3(iii) of Schedule 18).

**12.2 Additional / accelerated depreciation**

The Management has carried out a detailed review of certain fixed assets as per the fixed assets register and after duly considering the usability and technical obsolescence of the same, provided for additional/accelerated depreciation to the extent of Rs. 29 Million (March 31, 2009 - Rs. 47 Million) in the financial statements.

**12.3 Land**

(i) In respect of its land at Hyderabad, the Company entered into an agreement with the Government of Andhra Pradesh (GoAP) for the purchase of land. The agreement is covered under the Information and Communications Technology (ICT) Policy 2002-2005 of the Information Technology & Communications department of GoAP. Pursuant to the same, the Company is eligible for the incentives, concessions, privileges and amenities applicable to Mega Projects in terms of the said policy and also certain other incentives as specified in the agreement entered into with GoAP.

As per memorandum of understanding (MOU) & other agreements, entered into by the Company, the Company has acquired the land from the GoAP. During the previous year ended March 31, 2009, the Company has accounted for the eligible grant amounting to Rs. 96 Million towards the basic cost of the land on acquisition which was adjusted to the cost of the land as per the books of accounts in accordance with the accounting policy followed by the Company. In order to avail the said rebate, the Company furnished bank guarantees aggregating Rs. 96 Million which are outstanding as at March 31, 2010 and March 31, 2009. There are no outstanding obligations in respect of the said MOU as at March 31, 2010 and March 31, 2009.

(ii) The Company had also purchased land from Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) in Vishakhapatnam for a total cost of Rs. 50 Million. There are certain disputes with respect to the land purchased by the Company in Kapulupadda village, Vishakhapatnam admeasuring about 50 acres wherein the above land has been earmarked to the Indian Navy. GoAP vide its G.O. No. 1439 dated December 4, 2008, has ordered the District Collector, Vishakhapatnam to allot alternate land, by withdrawing the land to an extent of 25 acres from the Police Department and also to an extent of 25 acres from the Vishakhapatnam Urban Development Authority. The Company has requested for obtaining the allotment letters. The Management is confident that the said lands will be allotted in favour of the Company and, accordingly, the amount of Rs. 50 Million is included in Capital Advances (under Capital Work in Progress) as at March 31, 2010 and March 31, 2009.



#### 12.4 Accounting for vehicle loans

The Company has an Associate Car Purchase scheme, as per which the Company purchases cars which are provided to the associates for their use. The Company finances the purchase of the cars by obtaining loans from various banks / others and the equated monthly installments are reduced from the gross salary of the associates. On completion of the term of the loan, the cars are transferred to the associates. As at March 31, 2010, the gross original cost and the net book value of the vehicles provided to the associates under the scheme aggregates Rs. 443 Million (March 31, 2009 - Rs. 654 Million) and Rs. 187 Million (March 31, 2009 - Rs. 382 Million), respectively.

Though the vehicles provided to the associates by the Company need to be accounted for as a finance lease in accordance with Accounting Standard 19 (AS 19) – Leases, the Company could not carry out the required adjustments in the absence of all required information to give effect to the same in the financial statements in respect of the current and prior periods. The Management believes that, taking into account the overall results and value of the fixed assets, the impact due to the non-application of AS 19 for such transactions would not be material to the financial statements.

#### 12.5 Termination of asset purchase agreement

On August 6, 2008, the Company entered into an Asset Purchase Agreement ('APA') and revenue agreement with one of its customers. The acquisition was for a total consideration of USD 60 Million (equivalent to Rs. 2,520 Million) comprising initial payment of USD 10 Million (equivalent to Rs. 420 Million) and USD 50 Million (equivalent to Rs. 2,100 Million) in the form of promissory notes. The promissory notes were payable as follows:

- i. USD 10 Million (equivalent to Rs. 420 Million) on October 4, 2008;
- ii. USD 20 Million (equivalent to Rs. 840 Million) on December 20, 2008; and
- iii. USD 20 Million (equivalent to Rs. 840 Million) on the expiry of two years of the asset purchase agreement.

On November 14, 2008, the Company paid USD 10 Million (equivalent to Rs. 420 Million) which was originally due on October 4, 2008.

On January 15 and 22, 2009, consequent to the letter by the erstwhile Chairman, the customer served a notice on the Company terminating the APA and the revenue agreement with the customer and demanded the return of all the intellectual properties conveyed to the Company under the APA as well the immediate payment of the balance unpaid amount of USD 40 Million (equivalent to Rs. 1,680 Million) due under the promissory note.

In June 2009, the Company and the customer entered into a formal agreement to terminate the APA. Based on the termination agreement, the Company is not liable to make the balance payment of USD 40 Million (equivalent to Rs. 1,680 Million) and is required to return all the assets received under the APA. The amount already paid by the Company of USD 20 Million (equivalent to Rs. 840 Million) to the customer has been forfeited.

Pursuant to the above, necessary adjustments have been made in the previous year financial statements based on the termination notice issued by the customer.

#### 12.6 Status of infrastructure projects

The Company had commenced its infrastructure projects in various places like Hi-Tech city (SEZ Unit), Chennai and STC Properties, with initial budget estimates of Rs. 11,887 Million and incurred Rs. 3,479 million (as at March 31, 2009 Rs. 3,130 Million) as at March 31, 2010 towards the same. Due to global recession and economic slowdown, these projects were put on hold during the period October/November 2008. During the current year, the Company resumed certain projects (Hi-Tech City December 2009/January 2010 & Chennai – March 2010) with modifications to the original plans and the Company is in the process of resuming the other projects. Taking into account the future plans, the Management is of the opinion that there are no indications of impairment with respect to these projects and, hence, no provision/adjustment is required to be made in the financial statements.

#### 12.7 Accounting for Enterprise Resource Planning (ERP) software

The Company entered into an agreement for purchase of an ERP software on March 31, 2008 amounting Rs. 451 Million, which was not accounted as at March 31, 2008. During the previous year, the Company accounted for this amount of Rs. 451 Million under Capital work in progress pending use and installation of the software and also created an impairment provision as at March 31, 2009 since the Management had not finalised its plan for implementation of the ERP software. Further, the Annual Maintenance Charges (AMC) aggregating Rs. 54 Million claimed by the ERP vendor pursuant to the above purchase were not accounted by the Company since the software was not installed/put to use and no maintenance service had been rendered.

#### 12.8 Physical verification of fixed assets

During the current year, the Company conducted a physical verification of a substantial part of its fixed assets using the services of an external consultant, the net impact of which is Rs. 2 Million written-off in the Profit and Loss account. In the absence of adequate/complete information, the Company is unable to roll back the differences between the books of account and the data as per the physical verification to prior periods, hence, these have been accounted during the current year.

(Rs. in Million)

Particulars	Gross value	Accumulated Depreciation	Write-off
Plant & Machinery	1,867	1,865	2

### 13. Investments

**13.1** The Company had in the year ended March 31, 2008, acquired 50% of equity in C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) ('CA Satyam') for a consideration of Rs 72 Million. During the previous year ended March 31, 2009, pursuant to the Share Purchase Agreement dated April 30, 2008 entered into by the Company with Computer Associate Satyam JV Corporation, United States, the Company acquired the balance 50% equity held by Computer Associate Satyam JV Corporation in CA Satyam for a total consideration of Rs. 56 Million and, hence, CA Satyam became a subsidiary of the Company with effect from September 25, 2008. The total consideration was paid in equal installments of Rs. 28 Million each on September 25, 2008 and December 15, 2008. Pursuant to the acquisition of the shares by the Company, CA Satyam was renamed as C&S System Technology Private Limited.

**13.2** On October 23, 2007, the Company announced its intention to acquire 100% of the shares of Nitor Global Solutions Ltd, United Kingdom ("Nitor"), a company specialised in the Infrastructure Management Services (IMS) space. The total consideration for this acquisition was approximately GBP 2.76 Million (equivalent to Rs. 224 Million) including a performance-based payment of up to GBP 1.30 Million (equivalent to Rs. 102 Million) over two years conditional upon specified revenue and profit targets being met. The Company paid an initial consideration of GBP 1.46 Million (equivalent to Rs. 122 Million) on January 4, 2008. During the previous year, the Company paid a further consideration of GBP 0.57 Million (equivalent to Rs. 46 Million) towards R&D earn out comprising of GBP 0.07 Million (equivalent to Rs. 6 Million) on August 14, 2008, first year earn out of GBP 0.30 Million (equivalent to Rs 22 Million) on December 10, 2008 and a final payment of GBP 0.20 Million (equivalent to Rs.15 Million) on March 26, 2009. With these payments, the Company fulfilled all obligations towards this acquisition agreement.

**13.3** 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 GBP 7.05 Million (equivalent to Rs. 624 Million) (inclusive of acquisition costs) and a deferred consideration of GBP 1.75 Million (equivalent to Rs. 136 Million). The Company was also required to pay a maximum earn out consideration aggregating GBP 2.25 Million (equivalent to Rs. 184 Million) based on achievement of targeted revenues and profits and Employee Benefit Trust (EBT) contribution of GBP 0.9 Million (equivalent to Rs. 80 Million).

On June 29, 2006, the Company acquired the remaining 25% shareholding for a consideration of GBP 3.26 Million (equivalent to Rs. 275 Million) and a maximum earn-out consideration of GBP 3.54 Million (equivalent to Rs. 289 Million) based on achievement of targeted revenues and profits and a maximum EBT contribution of GBP 1.80 Million (equivalent to Rs. 147 Million) contingent on Citisoft achieving certain revenue and profit performance targets. The Company paid GBP 0.08 Million (equivalent to Rs. 7 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 GBP 1.74 Million (equivalent to Rs. 143 Million) and payment towards EBT of GBP 0.08 Million (equivalent to Rs. 7 Million) was payable by the Company in July 2007 upon the 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 was paid in July 2007 and the payment was recognised as cost of investment by the Company.

During the previous year, the Company adjusted the cost of investment in Citisoft for an amount of Rs. 15 Million on account of incorrect application of exchange rate for accounting the acquisition in the prior years.

**13.4** During October 2005, the Company acquired Knowledge Dynamics Pte Ltd ('KDPL Singapore'), 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, Singapore for a consideration of SGD 5.52 Million (equivalent to Rs. 146 Million) (inclusive of acquisition costs) and a maximum earn out consideration of SGD 1.84 Million (equivalent to Rs 49 Million) 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, Singapore 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 SGD 1.11 Million (equivalent to Rs. 30 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 SGD 0.37 Million (equivalent to Rs. 10 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 SGD 0.74 Million (equivalent to Rs. 21 Million) on or before May 15, 2008. The actual amount of earn-out payment made during 2008-09 based on the revenue of KDPL, Singapore for the year 2007-08 was SGD 0.34 Million (equivalent to Rs. 11 Million) which has been added to the cost of investment during the previous year.

**13.5** On January 21, 2008, the Company entered into a definitive purchase agreement to acquire 100% of the membership interests of Bridge Strategy Group, LLC ('Bridge'), a Chicago based strategy and general management consulting firm, for total cash consideration of up to USD 35 Million (equivalent to Rs. 1,489 Million) to be paid over 2.5 years, comprising upfront consideration of USD 19 Million (equivalent to Rs. 761 Million) payable on consummation of the transaction, deferred non-contingent consideration of USD 8 Million (equivalent to Rs 321 Million) payable in August 2009 and contingent consideration of USD 8 Million (equivalent to Rs 407 Million) payable in October 2010. The contingent consideration is payable to the selling shareholders on satisfaction of conditions prescribed in the Membership Interest Purchase Agreement, entered into with the selling shareholders.



The transaction was consummated on April 4, 2008 and the upfront consideration of USD 19 Million (equivalent to Rs 761 Million) was paid. Further, the deferred non-contingent consideration mentioned above of USD 8 Million (equivalent to Rs 321 Million) was paid to the selling shareholders during the current year in August 2009. During the previous year, the Company accounted for an amount of USD 27 Million (equivalent to Rs. 1,082 Million), representing the upfront consideration and deferred non-contingent consideration, as cost of investment in the books of account.

On February 12, 2009, the key executives of Bridge served a notice on the Company that they had "Good Reason", as defined in the purchase agreement and each of their employment agreements, to terminate their employment with Bridge and retain all rights to receive payment of the then unpaid portion of the purchase consideration.

#### RSUs

Pursuant to employment agreements entered into by Bridge with each of the key executives of Bridge at the closing of the acquisition, in July 2008 and July 2009, the Company issued a total number of 235,121 RSUs to these key executives having an aggregate value at the time of issuance of USD 6 Million, and subject to vesting terms as set forth in the agreements entered into with each such key executive.

In the notice served by the key executives of Bridge on February 12, 2009, the key executives demanded cash payment of USD 6 Million in lieu of RSUs issued to them.

Currently, the Company is under discussion with the key executives of Bridge for an amicable settlement.

- 13.6** During the previous year, Nitor Global Solutions Limited ("Nitor"), one of the subsidiaries of the Company, entered into an agreement dated April 21, 2008 with the shareholders of S&V Management Consultant NV, Belgium ("S&V") for the purchase of 100% of the shares held by them in S&V for a total consideration of EUR 22.50 Million, comprising of initial consideration, deferred payment and conditional payments over a period of 3 years from the date of the agreement.

On December 11, 2008, the Company invested an amount of Rs. 1 Million in a new subsidiary incorporated in Belgium, namely, Satyam Computer Services Belgium BVBA ("Satyam Belgium"), primarily for the purpose of acquiring the shares in S&V as mentioned below.

Pursuant to an agreement dated October 9, 2008 between Nitor, the selling shareholders of S&V and Satyam Belgium, all the rights and obligations of Nitor have been transferred to Satyam Belgium.

- 13.7** The Company incorporated subsidiaries in Mexico (Satyam Computer Services De Mexico S.DE R.L.DE C.V) and Brazil (Satyam Servicos De Informatica LTDA). However, no investments have been made by the Company in these subsidiaries as at March 31, 2010 and, consequently, these have not been included as part of Investments disclosed in Schedule 5 to the Balance Sheet as at March 31, 2010.

- 13.8** (i) The details of long term investments purchased and sold during the year are given below:

Particulars	Number of shares purchased during the year ended March 31, 2010	Number of shares sold during the year ended March 31, 2010	Number of shares purchased during the year ended March 31, 2009	Number of shares sold during the year ended March 31, 2009
C&S System Technology Private Limited (Refer Note 13.1 of Schedule 18 )	-	-	7,168,995 Equity Shares of Rs. 10 each	-
Satyam Computer Services Belgium, BVBA	-	-	185,500 Shares of EUR 0.10 each	-
Satyam Computer Services (Shanghai) Co. Limited	Note (i) below	-	Note (i) below	-
Satyam Computer Services (Nanjing) Co. Limited	Note (ii) below	-	Note (i) below	-
Knowledge Dynamics Pte Ltd	-	-	Note (ii) below	-
Nitor Global Solutions Limited	-	-	Note (ii) below	-
Bridge Strategy Group LLC	Note (iii) below	-	Note (iii) below	-

#### Notes:

- (i) Investments in these entities are not denominated in number of shares as per laws of the People's Republic of China and, hence, the particulars relating to number of shares purchased have not been disclosed.
- (ii) The additions to cost of investments in these entities during the previous year, represent the earn-out consideration paid as per the terms of the agreements entered into with the selling shareholders and no additional shares have been purchased during the year.
- (iii) Bridge Strategy Group LLC is a Limited Liability Company, limited by Membership Interest. SCSL has purchased 100% of the Membership Interest from the selling shareholders as described in Note 13.5 of Schedule 18 above, and, hence, the particulars relating to number of shares purchased have not been disclosed.



- (ii) The details of current investments purchased and sold during the year are given below:

Fund Name	Purchased		Sold
	Units	Rs in million	Units
HDFC Cash Management Fund Treasury Advantage Plan	46,525,685	902	46,525,685
ICICI Prudential Flexible Income Plan Premium Growth	62,039,048	1,021	62,039,048
Kotak Floater Long Term Growth	48,898,839	686	48,898,839
Reliance Money Manager Fund Institutional Option - Growth Plan	609,869	735	609,869
IDFC Money Manager - Treasury Plan C Super Institutional Plan C Growth	100,934,061	1,059	100,934,061
LIC MF Income Plus Fund Growth Plan	43,829,448	524	43,829,448
Birla Sun Life Savings Fund Institutional - Daily Dividend Reinvestment	72,450,734	725	72,450,734
Birla Sun Life Savings Fund Institutional Growth	75,741,217	1,282	75,741,217
DWS Ultra Short Term Fund - Institutional Growth	139,325,281	1,450	139,325,281
Fortis Money Plus Institutional Growth	44,795,300	597	44,795,300
TFLG TATA Floater Fund - Growth	93,950,349	1,250	93,950,349
Templeton India Ultra Short Bond Fund - Super Institutional Plan - Growth	87,209,049	1,000	87,209,049
UTI Treasury Advantage Fund - Institutional Plan - Growth Option	834,840	1,000	834,840

### 13.9 Provision for diminution in the value of long term investments

During the current year, with the assistance of independent professional agencies, the Company has assessed the operations of the subsidiaries, including the future projections, to identify indications of diminution, other than temporary, in the value of the investments recorded in the books of account and, accordingly, has made the following provisions:

(Rs. in Million)

Name of the Subsidiary	Year ended March 31	
	2010	2009
Satyam BPO Limited	-	2,735
Knowledge Dynamics Pte. Ltd.	-	197
Satyam Computer Services (Nanjing) Company Limited	94	177
Nitor Global Solutions Limited	-	143
Satyam Computer Services (Egypt) S.A.E.	-	11
Bridge Strategy Group LLC	134	1,082
Satyam Technologies Inc	-	141
Citisoft Plc	-	613
Satyam Computer Services (Shanghai) Co. Limited	-	251
Satyam Computer Services Belgium, BVBA	-	1
<b>Sub- Total</b>	<b>228</b>	<b>5,351</b>

## 14. Accounting for revenue and debtors

### 14.1 Sundry Debtors

- (i) Sundry Debtors as at March 31, 2010 is net of unapplied receipts aggregating Rs. 5,652 Million (March 31, 2009 - Rs. 6,956 Million). Based on invoice wise details for the collections aggregating Rs. 3,271 Million (March 31, 2009 - Rs.6,000 Million) received from the customers subsequent to the year end, the Company has adjusted the collections against the invoices. In respect of the balance amount of Rs. 2,381 Million (March 31, 2009 - Rs. 956 Million), the adjustment has been done based on the Management's assessment.
- (ii) Classification of Sundry Debtors as debts outstanding for a period exceeding six months/others has been done by the Company based on the information available with the Management duly considering the date of the invoices/outstanding amounts as per the books of account and after adjusting for the unapplied receipts as mentioned above.





- (iii) The Management has made an assessment of the recoverability of debts outstanding as at March 31, 2010. Based on such assessment, provision for doubtful debts aggregating Rs. 4,411 Million (March 31, 2009 - Rs. 4,046 Million) has been made in the books of account as at March 31, 2010 resulting in a charge of Rs. 365 Million (March 31, 2009 - Rs. 2,626 Million) to the Profit and Loss account. Such provision has been made by the Company primarily based on Management's assessment regarding the realisability of the outstanding amounts, adjusted for the unapplied receipts as mentioned above, duly taking into account the subsequent collections.

#### **14.2 Accounting for contracts under percentage completion method**

Revenue from fixed-price engagements require appropriate estimation of the eligible costs which include salaries and related expenses of technical employees, related communication expenses, travel costs, etc. Revenue and the related costs for these projects are recognised on the percentage of completion method as per the accounting policy of the Company, 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.

During the previous year, the Company noted various discrepancies in the application of the percentage of completion method in the years prior to 2008-09. Further, the Company does not possess all the required documentation to support the initial estimates used/ revision in estimates which would have formed the original basis of application of the percentage completion method. Hence, the Company accounted for the revenue from fixed price engagements for the previous year using significant management estimates in respect of costs and hours expected to be incurred based on current information available, subsequent developments etc in respect of such contracts to arrive at the percentage of completion as at the closing Balance Sheet date of March 31, 2009 as well as at the opening balance date as at April 1, 2008. This methodology has been used by the Company for the purpose of revenue recognition for the current year also. In the opinion of the Management, the use of such estimates/ subsequent information should not result in a material adjustment to the financial statements of the Company.

#### **14.3 Unbilled revenue**

As per the practice followed by the Company, the Company accounts for unbilled revenue based on all services rendered up to the Balance Sheet date in advance of billing as per the terms of the contracts. The Management analysed all such services rendered during the year remaining unbilled as at the Balance Sheet date as well as those services relating to the current year/prior periods billed subsequently to ensure proper cut-off and the required adjustments have been carried out in the financial statements of the Company based on the available information.

The Management has also identified cases where there are losses expected in the execution of certain projects of the Company. Losses arising on account of such contracts have been estimated based on a detailed analysis done by the Management taking into account the information available with the Company and the future obligations of the Company.

Accordingly, a provision for such contract losses to the extent of Rs. 118 Million (March 31, 2009 - Rs. 443 Million) has been made as at March 31, 2010.

Consequently, unbilled revenue of Rs. 4,305 Million (net of provision for anticipated losses) has been recognised as at March 31, 2010 (March 31, 2009 Rs. 2,782 Million).

During the previous year, total amount of Rs.3,048 Million of revenue relating to prior years have been accounted as revenue, which was disclosed under prior period adjustments in the Profit and Loss account. Refer Notes 3.3(iii) of Schedule 18.

#### **14.4 Accounting for multiple deliverables and obligations of the Company**

Some of the revenue contracts of the Company contain various clauses as per which more than one deliverable is to be provided to the customers. For example, the contracts provide for deliverables like certain special benefits, supply of hardware equipments/software licenses etc in addition to the services to be rendered.

Similarly, with respect to the services rendered, the Company has certain obligations towards the customers as per the terms of the contracts such as right of refunds, discounts, service credits, etc.

The Company has accounted for the above referred multiple elements in the revenue contracts based on and to the extent of the information available/compiled by the Management.

#### **14.5 Accounting for hardware equipment and other items**

As mentioned in Note 14.4 of Schedule 18, some of the contracts with the customers involve the supply of hardware equipment and other items by the Company. The Company has accounted for the purchase of hardware equipment and other items under Cost of Hardware Equipment and Other Items Sold and has accounted for the sale of such items under Sale of Hardware Equipment and Other Items. Unsold items of hardware equipments and other items are disclosed as Inventory as at the year end.

The Company has identified and accounted for such items of hardware equipment and other items as mentioned above based on the information available with the Company. Further, the Company has made the necessary quantitative disclosures based on the information available with the Company as at the year end. Refer Note 37 of Schedule 18.

#### **14.6 Post contract services/warranties**

As per the terms of the contracts, the Company provides post contract services/warranty support to some of its customers. The Company does not have adequate documentation in respect of historical information on the amount incurred by the Company towards such costs incurred. In the absence of the required information, the Company has accounted for the provision for warranty/ post contract support on the basis of the information available with the Management duly taking into account the current technical estimates. Refer Note 35.1 of Schedule 18.

#### 14.7 Unearned revenue adjustments

An amount of Rs. 854 Million (March 31, 2009 - Rs. 941 Million (including Rs.240 Million relating to prior years – Refer Note 3.3(iii) of Schedule 18)) originally accounted as part of unearned revenue has been transferred to revenue during the year ended March 31, 2010 based on Management's assessment, in the absence of all the required documentation.

#### 14.8 Accounting for credit notes issued to customers

As per the practice followed by the Company, credit notes are issued to customers on account of double count of efforts/incorrect rates used penalties, etc., in respect of invoices raised earlier, as and when such instances are noted/identified. The Management analysed all such credit notes raised during the year as well as those issued subsequently to ensure proper cut-off and the required adjustments were carried out in the financial statements.

During the previous year, credit notes for a total amount of Rs. 1,680 Million relating to prior years were adjusted against revenue, which was disclosed under prior period adjustments in the Profit and Loss account. Refer Notes 3.3(iii) of Schedule 18.

#### 14.9 Reimbursements/recoveries from customers

As per the practice followed by the Company, reimbursements/recovery received/ receivable from customers are accounted for based on invoices raised on customers. As per the system followed by the Company, the expenses are charged off to the Profit and Loss account as and when incurred and the reimbursements/recoveries are credited to the Profit and Loss account as and when invoiced on the customers.

The Management carried out an analysis of all such reimbursement/recoveries of expenses received/receivable during the year and the required adjustments for the reimbursements/recoveries from customers have been carried out in the financial statements based on the information available.

#### 14.10 Accounting for a specific loss contract

The Company during the previous year ended March 31, 2009 entered into a Master Service Agreement with one of the customers for providing services relating to Core Banking Solutions. As per the agreement, the Company was required to supply the customer with various hardware equipments and software components, networking equipments, etc.

The Company entered into a novation agreement with the customer as per which it was decided to handover all the hardware equipments, software licenses and network equipments, etc., procured by the Company for this project and all liabilities/claims whatsoever from either party would stand extinguished pursuant to the same. Based on the novation agreement with the customer, the Management estimated a cumulative loss towards the contract to the extent of Rs. 622 Million as at March 31, 2010 comprising of Rs. 481 Million (Rs. 11 Million for the current year and Rs. 470 Million for the previous year ended March 31, 2009) incurred towards the Inventory of hardware equipments, software licenses and network equipments etc., and Rs. 141 Million towards unbilled efforts accounted (Rs. Nil for the current year and Rs. 141 Million for the previous year ended March 31, 2009).

The amount of Rs. 481 Million has been accounted for by way of adjustment of Net Realisable Value (NRV) of Inventories in the respective years and the balance amount of Rs. 141 Million has been accounted for as an allowance towards unbilled revenue as at March 31, 2009.

#### 15. Liabilities/ provisions no longer required written back

During the previous year, the Management wrote back excess liabilities and provisions amounting to Rs. 248 Million made in the earlier years which, in the opinion of the Management, were no longer required to be carried in the books of account as at March 31, 2009. The details of the amounts written back are as under:

	<i>(Rs. in Million)</i>
	<b>Year ended March 31, 2009</b>
Reversal of Excess Provision for Sales Commission	173
Reversal of Excess Provision for Personnel costs	46
Others	29
<b>Total</b>	<b>248</b>

#### 16. Accounting for transactions with an international sports federation

The Company had entered into an agreement with an international sports federation (the federation) in the financial year 2007-08 pursuant to which the Company was granted various sponsorship rights in respect of the events conducted by the federation to be held in 2009, 2010, 2013 and 2014. As per the agreement, the Company was also to render various IT related services to the federation towards its events in its capacity as the "Official IT Service Provider" to the federation.

Based on the terms of the agreement, the Company was required to discharge the consideration for sponsorship rights partly in the form of cash and partly in the form of services in lieu of cash ("Value in Kind"). The Management believes that the sponsorship payments are in the nature of an intangible item since these are predominantly for the purpose of advertising and promotion and, hence, the same should be expensed as incurred in the respective years. During the current year, the sponsorship charges aggregating Rs. 76 Million (March 31, 2009 – Rs. 102 Million) were expensed off to the Profit and Loss account under the head Marketing Expense. During the previous year sponsorship charges relating to prior years amounting to Rs. 40 Million were accounted under prior period adjustments in the Profit and Loss account. Refer Note 3.3(iii) of Schedule -18.



Further, the Company during the current year recognised an amount of Rs. 607 Million (March 31, 2009 - Rs.404 Million (both invoiced and unbilled revenue) including the prior period adjustments amounting to Rs. 19 Million) towards the services rendered by the Company to the federation and, in accordance with the agreement, an equivalent amount of Rs 607 Million (March 31, 2009 – Rs. 404 Million (including prior period adjustments amounting to Rs 103 Million)) has been accounted as provision for the Value in Kind sponsorship charges Refer 3.3(iii) of Schedule 18.

As per the arrangement, the Company would pay this amount of Value in Kind sponsorship charges to the federation on receipt of the invoice from them. Subsequent to the same, the federation would pay back to the Company the amount of services invoiced by the Company. During the current year the amount of services rendered and the corresponding amount of provision for Value in Kind sponsorship charges were disclosed on a gross basis under the heads Income from Operations and Marketing Expenses in the Profit and Loss account with a corresponding amount accounted in Sundry Debtors and Sundry Creditors, respectively.

During the current year, the Company entered into a Memorandum of Understanding with the federation as per which the contractual obligations relating to the 2013 and 2014 events stand cancelled.

#### 17. Residual dividend

During the year ended March 31, 2008, the Company had accounted for the proposed dividend and dividend tax thereon for the number of equity shares existing as on the records of the company as at April 10, 2008. The dividend amounting to Rs 7 Million and the related dividend tax amounting to Rs 1 Million for the additional number of equity shares issued by the Company, pursuant to the ASOP Schemes, from April 11 to August 26, 2008, being the dividend record date for the final dividend for the year 2007-2008, has been accounted in the Profit and Loss account.

#### 18. Cash and bank balances

The details of balances with non-scheduled banks:

Name of the bank	<i>(Rs. in Million)</i>			
	Balances as at March 31,		Maximum amount outstanding at anytime during the year ended March 31,	
	2010	2009	2010	2009
<b>Current accounts</b>				
Banco do Brasil S.A., Brazil	-	3	6	19
Banque National De Paris, Brussels	18	32	53	55
Banque National De Paris, France	32	23	48	58
Banque National De Paris, Germany	89	-	243	-
Banque National De Paris, Hague	103	42	142	146
Banque National De Paris, Ireland	11	7	12	19
Banque National De Paris, Italy	7	6	10	11
Banque National De Paris, Saarbruecken	-	104	-	206
Banque National De Paris, Spain	4	7	7	9
Banque National De Paris, Switzerland	123	126	154	172
Banque National De Paris, Saudi Arabia	32	125	147	125
Banque National De Paris, Taipei	16	15	17	17
Citi Bank International Plc, Finland	3	2	13	4
Citibank NA, Bangkok	39	28	61	182
Citibank NA, Brazil	19	27	40	42
Citibank NA, Denmark	52	42	67	52
Citibank NA, Dubai	12	8	34	343
Citibank NA, Hong Kong	4	16	17	17
Citibank NA, Hungary	9	11	12	12
Citibank NA, Kuala Lumpur	13	4	88	120
Citibank NA, Kenya	12	20	24	21
Citibank NA, London	-	1	9	40
Citibank NA, New York	423	469	1,088	851
Citibank NA, New Zealand	15	54	68	58
Citibank NA, Seoul	12	17	18	107
Citibank NA, Romania	1	1	1	1
Citibank NA, Singapore	60	61	117	136

Contd.

(Rs. in Million)

Name of the bank	Balances as at March 31,		Maximum amount outstanding at anytime during the year ended March 31,	
	2010	2009	2010	2009
Citibank NA, Johannesburg	20	83	83	167
Citibank NA, Sydney	274	304	473	775
Citibank International Plc, Stockholm	21	8	76	72
Citibank NA, Toronto	52	49	135	191
Citibank NA, Colombo	3	6	6	53
Dresdner Bank, Saarbruecken	-	25	25	25
HSBC Bank Plc, Czech Republic	5	8	8	14
Hong Kong and Shanghai Banking Corporation, London	222	192	551	746
Hong Kong and Shanghai Banking Corporation, Shanghai	-	-	-	0.2
Hong Kong and Shanghai Banking Corporation, Tokyo	63	167	238	167
Hong Kong and Shanghai Banking Corporation, Belgium	1	-	1	-
Hong Kong and Shanghai Banking Corporation, Jordan	11	-	19	-
Hong Kong and Shanghai Banking Corporation, Mauritius	32	2	33	29
Hong Kong and Shanghai Banking Corporation, Middle East Limited	-	19	-	19
Woori Bank, Korea	-	-	-	1
KBC Bank NV, Brussels	-	14	13	52
Mitsui Sumitomo Bank , Tokyo	2	8	49	52
UBS Bank, Switzerland	-	14	37	14
Unicredit Banca, Italy	3	4	4	13
United Bank, Vienna	-	1	116	933
Wachovia Bank, New Jersey	0	68	71	81
<b>Total</b>	<b>1,818</b>	<b>2,223</b>		
<b>Deposit accounts</b>				
Citibank NA, Hungary	8	8	8	9
<b>Total</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>9</b>

**19. Debts and loans and advances due from subsidiaries**

(i) The details of debts due from subsidiaries are given below:

(Rs.in Million)

Particulars	Balances as at March 31,	
	2010	2009
Satyam Computer Services (Shanghai) Company Limited	69	75
Satyam Computer services (Nanjing ) Company Limited	2	5
Satyam BPO Limited	104	94
Satyam Japan KK	72	96
Satyam (Europe) Limited	110	116
Satyam Computer Services (Egypt) S.A.E.	25	38
Citisoft Plc.	50	26
Knowledge Dynamics Private Limited	1	1
Satyam Technologies, Inc.	60	28
Satyam Venture Engineering Services Private Limited	9	118
S&V Management Consultants	9	6
Citisoft Inc.	59	15
<b>Total</b>	<b>570</b>	<b>618</b>



- (ii) The details of loans and advances to subsidiaries, including share application money pending allotment, are given below:

Particulars	<i>(Rs. in Million)</i>			
	Balances as at March 31,		Maximum amount outstanding at anytime during the year ended March 31,	
	2010	2009	2010	2009
Satyam BPO Limited	2,764	1,064	2,764	1,064
Satyam Technologies Inc.	-	-	-	13
Satyam Computer Services (Shanghai) Co. Ltd.	1	1	1	29
Knowledge Dynamics Private Limited	1	1	1	2
Satyam Computer Services (Egypt) S A E	54	42	67	42
Citisoft Plc.	42	44	42	44
Satyam Europe	299	302	299	302
Vision Compass	346	346	346	346
Satyam Computer Services Belgium, BVBA	1,025	762	1,025	762
Bridge Strategy Group LLC	-	-	-	-
<b>Total</b>	<b>4,532</b>	<b>2,562</b>		

- (iii) During the previous year the Management of the Company carried out a detailed assessment of the amounts due from subsidiaries mentioned above, duly taking into account the provision for diminution in the value of investments made in these subsidiaries and created appropriate provision amounting to Rs. 2,728 Million (Rs. 471 Million relating to doubtful debts and Rs. 2,257 Million relating to doubtful advances) in respect of the amounts considered as doubtful.

During the current year, appropriate provision amounting to Rs.1,939 Million was created towards doubtful advances.

- (iv) Identification of related parties, companies under the same management, etc.

Identification of the related parties/ parties covered under Section 301 of the Act, and Companies under the Same Management as defined under Section 370(1B) of the Act, and firms/ private limited companies in which a director is a member or a partner, and the non-scheduled banks where the directors of the Company are interested has been done by the Management to the extent of the information available with the Company.

Taking into account the forensic investigation and the information available with the Management, the Management has identified the related parties/companies under the same Management and the Company has made necessary disclosures/ maintained necessary registers as required by the Accounting Standards / the Act on the basis described above. However, there may be additional related parties whose relationship would not have been disclosed to the Company and, hence, not known to the Management.

- (v) Disclosure pursuant to clause 32 of the listing agreement

Particulars	Loans and advances in the nature of loans	Amount outstanding as at March 31, 2010	Maximum amount outstanding during the year
To subsidiaries	Refer Note 19(ii) of Schedule 18		
To associates	-	-	-
To firms/companies in which directors are interested (other than subsidiaries/associates mentioned above)	-	-	-
Where there is:			
No repayment schedule	-	-	-
Repayment beyond seven years	-	-	-
No interest	-	-	-
Interest rate below as specified under Section 372A of the Act	-	-	-

**Note:** Investments by the loanee in the shares of parent company and subsidiary company – Nil

**20. Dues to micro, small and medium enterprises**

The Management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, based on and to the extent of information available with the Company, the relevant particulars as at March 31, 2010 are as under:-

Particulars	(Rs. in Million)	
	2009-10	2008-09
Principal amount due to suppliers under MSMED Act, as at March 31, 2010	6	15
Interest accrued and due to suppliers under MSMED Act on the above amount as at March 31, 2010	2	3
Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable to suppliers under MSMED Act, for payments already made	2	-
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	4	3

Refer Note 40 of Schedule 18 with respect to disclosures relating to the Previous Year.

**21. Managerial remuneration**

Computation of profit in accordance with Section 198 and Section 349 of the Companies Act, 1956 and calculation of commission payable to the Directors:

Particulars	(Rs. in Million)	
	For the year ended March 31,	
	2010	2009
(Loss) after tax	(712)	(79,352)
Add:		
Managerial remuneration	-	7
Directors' sitting fees (Rs. 460,000 for both the years)	-	-
Depreciation as per Profit and Loss account	1,908	2,972
Loss on sale of fixed assets (net) as per Profit and Loss account	96	323
Provision for doubtful debts and advances	2,409	4,696
Professional fees paid u/s 314 of the Act to Krishna G Palepu	-	5
Contribution to Satyam foundation trust	-	29
Tax deducted at source written off	-	37
Provision for Capital Work in Progress	-	587
Provision for Unexplained Differences	20	34
Provision for Contingencies	-	4,750
Provision for Diminution in the Value of Investments	228	5,351
Wealth tax	3	3
Provision for tax	162	1,531
Less:		
Depreciation as per Section 350 of the Act	1,908	2,972
Loss on sale of fixed assets (net) as per Section 350 of the Act	96	323
Adjustment of excess of expenditure over income arising in computation of net profits in accordance with Section 349 of previous year	62,322	-
<b>Net (loss) for Section 198 of the Act</b>	<b>(60,212)</b>	<b>(62,322)</b>
Commission to Chairman/Managing Director restricted to	-	-
Commission to Non-executive Directors @1% of Net Profit u/s 349, restricted to	-	Refer Note 8.1(i) of Schedule 18 above

**Notes:**

- (i) During the current year, no Managerial remuneration was paid/payable by the Company. The Managerial remuneration payable for the previous year as computed based on the minimum remuneration payable in accordance with Schedule XIII of the Act and comprises of:



(Rs. in Million)

Particulars	For the year ended March 31, 2009
Salaries and allowances	6
Contribution to provident and other funds	1
Commission to non-executive directors	NIL
<b>Total</b>	<b>7</b>

- (ii) The above figures of salaries and allowances do not include provision for compensated absences, gratuity etc as separate valuation/ details are not available.
- (iii) Details of ASOP granted to directors during the year ended March 31, 2010:
- Options granted and outstanding to non-executive directors of the Company Nil (March 31, 2009 – 40,000 {includes 26,250 options granted under ASOP – RSUs and 13,750 options granted under ASOP – RSUs (ADS)})
  - Options granted and outstanding to a whole-time director Nil (March 31, 2009 – 514,860{496,110 options granted under ASOP – ADS and 18,750 options granted under ASOP – RSUs (ADS)})
- (iv) Also Refer Note 8.1(i) of Schedule 18 in respect of payment of remuneration in excess of limits prescribed under Schedule XIII.

**22. Auditors' remuneration** (net of Service Tax Input Credit, where applicable)

(Rs. in Million)

Particulars	For the year ended March 31,	
	2010	2009 (Refer Notes (i) to (iii) below)
Statutory audit fees	18 <sup>®</sup>	57* <sup>®</sup>
Tax audit fees	4	5
Other services	-	8
Reimbursement of expenses	-	2
<b>Total</b>	<b>22</b>	<b>72</b>

\*Including the Audit of prior period items

<sup>®</sup> The statutory audit fee is subject to the approval of the shareholders

**Notes**

- (i) The above amount excludes Rs. 64 Million [(Previous Year - Rs. 71 Million (fee and expenses)] accounted and paid to networked firms of the current statutory auditors towards forensic investigation prior to their appointment as statutory auditors.
- (ii) The above amount excludes Rs. 6 Million (Previous Year - Rs. 1 Million) paid to networked firms of the current statutory auditors towards other services prior to their appointment as the statutory auditors.
- (iii) The above amount for the previous year includes Rs 11 Million paid to the previous auditors.

**23. Earnings in foreign exchange (on accrual basis)**

(Rs. in Million)

Particulars	For the year ended March 31,	
	2010	2009
Information Technology and Consulting Services	48,558	79,621
Sale of equipment and Other Items	101	1,079
Reimbursements from customers	833	969
Other Income	73	331
<b>Total</b>	<b>49,494</b>	<b>82,000</b>



**24. C.I.F. value of imports**
*(Rs. in Million)*

Particulars	For the year ended March 31,	
	2010	2009
Capital goods	13	892
Others	2	341
Software package	1	-
<b>Total</b>	<b>16</b>	<b>1,233</b>

**25. Expenditure in foreign currency (on accrual basis)**
*(Rs. in Million)*

Particulars	For the year ended March 31,	
	2010	2009
Salaries and bonus	19,652	31,455
Contribution to provident and other funds	1,949	2,707
Staff Welfare Expenses	-	1,019
Travelling and conveyance	1,602	1,975
Legal and professional charges	1,141	1,616
Others	3,546	7,138
<b>Total</b>	<b>27,890</b>	<b>45,910</b>

**26. Dividends remitted in foreign currency**

The Company remits the equivalent of the dividends payable to the holders of American Depository Shares (ADS) in Indian Rupees to the depository bank, which is the registered shareholder on record for all owners of the Company's ADSs. The depository bank purchases the foreign currencies and remits the dividends to the ADS holders.

No dividends were paid by the Company for the current year.

During the previous year, the Company remitted Rs. 326 Million towards final dividend for the financial year 2007-08 and Rs. 130 Million towards the interim dividend for the year 2008-09.

Further during the previous year, the Company remitted some amounts in foreign currencies to non-resident shareholders other than the ADS holders on account of dividends during the year, the details of which are given below.

Particulars	For the year ended March 31, 2009	
Number of non-resident shareholders at the time of remittance	1	
Number of equity shares (face value Rs. 2 each)	25,000	
Dividend for the year	2008-2009 (Interim)	2007-2008 (Final)
Amount remitted (excluding dividend distribution tax thereon) – Rs. In Million	0.03	0.06

The Company does not have the information as to the extent to which remittance, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders to whom remittances were made by the Company in Indian Rupees during the previous year.

**27. Government grants**

**27.1** During the previous year, the Company received a grant from Multimedia Development Corporation (an agent of the Government of Malaysia) in the form of fully-fitted premises and reimbursement of salary costs for establishment of global delivery center. The fully fitted premises received under the grant have been recorded at nominal value under fixed assets. The reimbursement received/receivable for the current year for salary costs of 2009-10 amounting to MYR 5.14 Million (equivalent to Rs. 71 Million) (March 31, 2009 – MYR 18.34 Million (equivalent to Rs. 263 Million) were accounted as Other Income during the current year.

**27.2** The Company received a grant from the Ministry for Information and Communication Technology, Australia (the Ministry) aggregating AUD 0.94 Million (equivalent to Rs.33 Million) towards reimbursement of salary costs for the period from July to September 2008 in December 2008. Pending fulfillment of obligations under the agreement, the Company had not accounted the same as income during the previous year but accounted it as a liability as at March 31, 2009. During the current year, this amount has been refunded back to the Ministry in November 2009 since the agreement was terminated by the Ministry pursuant to non fulfillment of the conditions by the Company.



**27.3** The Company received a non-monetary grant from Deakin University, Australia in the form of 25 acres of land in July 2008. During the current year, the agreement with Deakin University was terminated pursuant to non fulfillment of conditions by the Company and the land allotted has been surrendered back.

## 28. Employee benefits

### 28.1 Gratuity

The Gratuity plan of the Company is a defined benefit plan and is unfunded. The details of actuarial data with respect to Gratuity are given below:

	<i>(Rs. in Million)</i>	
Detail of actuarial valuation	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>Change in benefit obligation</b>		
Projected benefit obligation as at year beginning	998	705
Current service cost	258	193
Interest cost	84	63
Actuarial loss/(gain)	(283)	87
Benefits paid	(237)	(50)
<b>Projected benefit obligation as at year end</b>	<b>820</b>	<b>998</b>
<b>Amounts recognised in the Balance Sheet</b>		
Present value of obligation	820	998
Fair value of the plan assets at the year end	-	-
<b>Liability recognised in the Balance Sheet</b>	<b>820</b>	<b>998</b>
<b>Cost of defined benefit plan for the year</b>		
Current service cost	258	193
Interest on obligation	84	63
Actuarial loss/ (gain) recognised in the year	(282)	87
<b>Net cost recognised in the Profit and Loss account</b>	<b>60</b>	<b>343</b>
<b>Assumptions</b>		
Discount rate (% p.a)	7.45%	7%
Future salary increase(% p.a)	10%	0% for the first year and 10% thereafter
Mortality	LIC (1994-96)	LIC (1994-96)
Attrition (% p.a)	18%	15%

#### Notes:

- (i) The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (ii) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.
- (iii) **Experience adjustments**

Particulars	Year Ended			
	31-Mar-07	31-Mar-08	31-Mar-09	31-Mar-10
Defined Benefit obligation	473	705	998	<b>820</b>
Plan assets	-	-	-	-
Surplus / (deficit)	(473)	(705)	(998)	<b>(820)</b>
Experience Adjustment on Plan Liabilities	94	101	43	<b>236</b>
Experience Adjustment on Plan Assets	-	-	-	-

## 28.2 Compensated absences

The key assumptions, as provided by an independent actuary, used in the computation of provision for compensated absences are as given below:

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Discount rate (% p.a)	7.45%	7.00%
Future salary increase (% p.a)	10%	0% for the first year and 10% thereafter
Mortality	LIC (1994-96)	LIC (1994-96)
Attrition (% p.a)	18%	15%

## 29. Segment reporting

Segment information has been presented in the Consolidated financial statements as permitted by Accounting Standard (AS 17) on Segment Reporting as notified under the Companies (Accounting Standards) Rules, 2006.

## 30. Related Party Transactions

(i) The list of related parties of the Company is given below:

### Subsidiaries:

Name of the Subsidiary	Country of incorporation	Extent of holding (%) As at March 31, 2010	Extent of holding (%) As at March 31, 2009
Satyam BPO Limited (formerly known as 'Nipuna Services Limited') ('Satyam BPO')	India	100	100
Satyam Computer Services (Shanghai) Company Limited ('Satyam Shanghai')	China	100	100
Satyam Computer Services (Nanjing) Company Limited ('Satyam Nanjing')	China	100	100
Satyam Technologies, Inc. ('STI')	USA	100	100
Knowledge Dynamics Pte.Ltd. ('KDPL Singapore')	Singapore	100	100
Nitor Global Solutions Limited ('Nitor')	UK	100	100
Citisoft Plc. ('Citisoft')	UK	100	100
Satyam Computer Services (Egypt) S.A.E. ('Satyam Egypt')	Egypt	100	100
Satyam Computer Services Belgium, BVBA ('Satyam Belgium')	Belgium	100	100
C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) ('CA Satyam') (Refer Note 13.1 of Schedule 18)	India	100	100
Bridge Strategy Group LLC ('Bridge')	USA	100	100
Satyam Venture Engineering Services Private Limited <sup>®</sup>	India	50	50
Satyam (Europe) Limited		Refer note below	
Vision Compass, Inc.		Refer note below	
Satyam Idea Edge Technologies Private Limited		Refer note below	

<sup>®</sup> was converted from a joint venture to a subsidiary with effect from 26 June 2008

### Note:

These subsidiaries which have been liquidated / dissolved as per the laws of the respective countries but for which approval from the Reserve Bank of India for writing off the investments from the books of the Company has not yet been received.



#### Subsidiary of Satyam Computer Services Belgium, BVBA

Name of the Subsidiary	Country of incorporation	Extent of holding (%) As at March 31, 2010	Extent of holding (%) As at March 31, 2009
S&V Management Consultants N.V.	Belgium	100	100

#### Subsidiaries of Knowledge Dynamics Pte Ltd

Name of the Subsidiary	Country of incorporation	Extent of holding (%) As at March 31, 2010	Extent of holding (%) As at March 31, 2009
Knowledge Dynamics Private Limited ('KDPL India')	India	99.99	99.99
Knowledge Dynamics USA Inc. ('KD USA') (dissolved w.e.f October 1, 2008)	USA	-	98

#### Subsidiary of Citisoft PLC

Name of the Subsidiary	Country of incorporation	Extent of holding (%) As at March 31, 2010	Extent of holding (%) As at March 31, 2009
Citisoft Inc	USA	100	100

#### Entity exercising significant influence

Name of the Entity	Relationship
Venturbay Consultants Private Limited	w.e.f May 05, 2009
Tech Mahindra Limited	w.e.f May 05, 2009
Mahindra and Mahindra	w.e.f May 05, 2009 to March 22, 2010

#### Others

Name of the Entity	Relationship
Satyam Foundation Trust	Enterprise where the Company is in a position to exercise control
Satyam Associate Trust	Enterprise where the Company is in a position to exercise control
Venture Global Engineering LLC	Joint venture partner (Refer Note 6.11 of Schedule 18)

#### Key Management Personnel

##### 2009 – 10

As mentioned in Note 4 of Schedule 18, the Central Government in January 2009 appointed the following 6 persons as Directors of the Company to administer the affairs of the Company until the acquisition by Venturbay (Refer Note 5 of Schedule 18):

##### Name of the Director:

Mr. Kiran Karnik  
 Mr. Deepak S Parekh  
 Mr. Tarun Das  
 Mr. S. B. Mainak  
 Mr. C. Achuthan  
 Mr. T. N. Manoharan

Subsequent to the acquisition by Venturbay in May 2009, the following persons were identified as the Key Managerial Personnel by the Board of Directors:

<b>Name of the Person</b>	<b>Relationship</b>
Vineet Nayyar	Chairman
C. P. Gurnani	Whole-time director and CEO

**2008 – 09**

<b>Name of the Person</b>	<b>Relationship</b>
B. Ramalinga Raju	Chairman (Refer Note 3.7 (i))
B. Rama Raju	Managing Director (Refer Note 3.7 (i))
Rammohan Rao Mynampati	President and Director (Refer Note 3.7 (i))

As at March 31, 2009, the Central Government appointed Board of Directors were administering the affairs of the Company until the acquisition by Venturbay.

(ii) Summary of the transactions and balances with the above related parties are as follows:

(a) Transactions during the year:

<b>Nature of the transaction</b>	<b>Party Name</b>	<b>(Rs. in Million)</b>	
		<b>For the year ended March 31, 2010</b>	<b>For the year ended March 31, 2009</b>
Revenue	Satyam Computer Services (Egypt) S.A.E.	(8)	36
	Citisoft Plc.	18	30
	Satyam Computer Services (Shanghai) Company Limited	5	35
	Satyam Technologies, Inc.	37	23
	Satyam BPO Limited	17	4
	S&V Management Consultants N.V.	5	6
	Satyam Computer Services (Nanjing) Company Limited	(2)	4
	Mahindra and Mahindra Limited	1	-
	Tech Mahindra Limited	88	-
	Subcontracting Charges	Bridge Strategy Group LLC	45
Nitor Global Solutions Limited		2	145
Satyam Technologies, Inc.		157	151
Satyam BPO Limited		93	752
C&S System – Technology Private Limited		-	7
Satyam Computer Services (Nanjing) Company Limited		55	14
Satyam Computer Services (Egypt) S.A.E.		8	14
Citisoft Plc.		-	34
S&V Management Consultants N.V.		3	14
Satyam Venture Engineering Services Private Limited		14	64
Satyam Computer Services (Shanghai) Company Limited	15	36	
Interest and dividend income	Dividend from Nitor Global Solutions Limited	-	35
	Interest from Citisoft Plc. (March 31, 2009 – Including Rs 1 million recognized as prior period interest)	2	4
Reimbursements received	Satyam BPO Limited	-	20
	Satyam Venture Engineering Services Private Limited	177	217
	Tech Mahindra Limited	17	-
	Mahindra and Mahindra Limited	2	-

Contd.



<i>(Rs. in Million)</i>			
Nature of the transaction	Party Name	For the year ended March 31, 2010	For the year ended March 31, 2009
Reimbursements paid	Tech Mahindra Limited	15	-
Investments made during the year	Satyam Computer Services (Shanghai) Company Limited	68	89
	Satyam Computer Services (Nanjing) Company Limited	94	98
	Bridge Strategy Group LLC	134	1,082
	C&S System Technology Private Limited	-	56
	Nitor Global Solutions Limited	-	21
	Satyam Belgium	-	1
	Knowledge Dynamics Pte Ltd	-	11
	Advances given during the year	Satyam Computer Services (Nanjing) Company Limited	37
Satyam Computer Services (Egypt) S.A.E.		8	
Share application money given	Satyam Computer Services Belgium, BVBA	265	742
	Satyam BPO Limited	-	564
	Satyam Computer Services (Egypt) S.A.E	24	-
Loans given	Satyam BPO Limited	1,700	500
Contributions made	Satyam Foundation Trust	-	29
Rent paid	Spouse of RamMohan Rao Mynampati (Mrs. Uma Mynampati) – Rs. Nil (Rs.225,720 only for the year ended March 31, 2009)	-	
Remuneration to Key Managerial Personnel (net of recoveries) *	B. Ramalinga Raju	-	2
	B. Rama Raju	-	2
	RamMohan Rao Mynampati	-	3

\* Refer Note 8.1(i) of Schedule 18.

(b) Balances at the year end:

<i>(Rs. in Million)</i>			
Nature of the balance	Party name	As at March 31, 2010	As at March 31, 2009
Sundry debtors	Satyam Computer Services (Shanghai) Company Limited	69	75
	Satyam BPO Limited	104	94
	S&V Management Consultants	9	6
	Satyam Computer Services (Egypt) S.A.E.	25	38
	Citisoft Plc.	50	26
	Citisoft Inc.	59	15
	Satyam Japan KK	72	96
	Knowledge Dynamics Private Limited	1	1
	Satyam Technologies, Inc.	60	28
	Satyam Computer Services (Nanjing) Company Limited	2	5
	Satyam Venture Engineering Services Private Limited	9	118
	Satyam (Europe) Limited	110	116
	Tech Mahindra Limited	49	-
	Mahindra and Mahindra Limited	8	-
Reimbursement / Other receivables	Satyam BPO Limited	-	1
	Satyam Venture Engineering Services Private Limited	9	40

Contd.

*(Rs. in Million)*

Nature of the balance	Party name	As at	As at
		March 31, 2010	March 31, 2009
Loans and Advances	Satyam BPO Limited	2,200	500
	Satyam Computer Services (Egypt) S.A.E.	22	34
	Citisoft Plc.	42	44
	Satyam Computer Services Belgium, BVBA	19	20
	Satyam Computer Services (Shanghai) Co. Ltd.	1	1
	Knowledge Dynamics Private Limited	1	1
	Satyam Associate Trust	32	32
	Satyam Technologies, Inc.	-	-
	Satyam (Europe) Limited	265	268
	Vision Compass, Inc.	346	346
Sundry creditors	Satyam Computer Services (Egypt) S.A.E.	9	13
	Satyam Technologies, Inc.	137	120
	Bridge Strategy Group LLC	28	154
	Satyam BPO Limited	61	127
	Citisoft Plc.	18	31
	S&V Management Consultants	4	14
	Nitor Global Solutions Limited	1	4
	Satyam Computer Services (Shanghai) Co. Ltd.	1	14
	Satyam Computer Services (Nanjing) Company Limited	5	3
	Satyam Venture Engineering Services Private Limited	46	45
Share application money paid	Satyam Computer Services Belgium, BVBA	1,006	742
	Satyam Computer Services (Egypt) S.A.E.	32	8
	Satyam BPO Limited	564	564
	Satyam Europe	34	34
	Bridge Strategy Group LLC	-	-
Amounts recoverable from Key Managerial Personnel*	B. Ramalinga Raju	3	3
	B. Rama Raju	2	2
	RamMohan Rao Mynampati	18	18

\* Refer Note 8.1(i) of Schedule 18

**Notes:**

- Related party relationships are as identified by the Management and relied upon by the Auditors. Taking into account the forensic investigation and the information available with the Management, the Management has identified the related parties of the Company and the transactions have been appropriately disclosed. However, there may be additional related parties whose relationship would not have been disclosed to the Company and, hence, not known to the Management. Also Refer Note 19(iv) of Schedule 18.
- No options were granted to the Key Management Personnel during the current year. The options outstanding as at March 31, 2009 (514,860 (includes 496,110 options granted under ASOP – ADS and 18,750 options granted under ASOP – RSUs (ADS)) were cancelled during the year.
- Guarantees/Comfort Letters provided by the Company
  - The Company issued a corporate guarantee to a bank on behalf of Satyam BPO for an amount not exceeding Rs. 2,200 Million (March 31, 2009 – Rs. 3,345 Million).
  - During the previous year, the Company issued a comfort letter to Satyam BPO Limited giving a commitment for all financial support to meet its debts and obligations as they fall due for the foreseeable future and atleast until December 31, 2010.





- During the current year, the Company issued a comfort letter to Nitor Global Solutions Limited giving a commitment for all financial support to meet its obligations as they fall due for a period of atleast 12 months from the date of the financials statements.
- d) The Company has given an interest free loan to Satyam Associates Trust amounting to Rs. 50 Million (Balance outstanding as at March 31, 2010 – Rs 32 Million (March 31, 2009 – Rs. 32 Million)) The loan was provided by the Company in the prior years as a funding to the Trust for repayment of loans obtained by the Trust from external parties. As per the terms of understanding with the Trust, the loan is repayable by the Trust to the Company on receipt of the exercise price from the employees who have been allotted options under the ASOP-A scheme.
- e) Also refer Note 19 (iii) of Schedule 18 with respect to provision made towards certain balances due from the above subsidiaries.

### 31. Leases

#### i. Termination of leases during the current year

During the current year, the Company terminated the agreements for 120 properties taken on rent and classified as operating leases. Out of these properties, 18 properties were taken on non-cancellable leases. The Company incurred Rs. 346 Million being additional consideration paid/forfeiture of rental deposits, to lessors on account of early termination. The furniture and fixtures in these properties belonging to the Company were sold / surrendered and the loss on account of sale/surrender is Rs. 153 Million.

The remaining properties that were taken on cancellable leases were surrendered by the Company by providing the requisite notice period to the lessor. The furniture and fixtures in these properties belonging to the Company were also sold/ surrendered and the loss/ gain on account of sale/surrender is Rs. 14 Million.

#### ii. Obligation on long term non cancellable operating leases

The Company has entered into operating lease agreements for its development centers at offshore, onsite and off-sites ranging for a period of 3 to 10 years. The lease rentals charged during the year and maximum obligations on long-term non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

Particulars	<i>(Rs. in Million)</i>	
	Year ended March 31, 2010	Year ended March 31, 2009
Lease rentals (refer Schedule 16)	1,828	2,080

#### Maximum obligations on long-term non-cancellable operating leases

Particulars	<i>(Rs. in Million)</i>	
	As at March 31, 2010	As at March 31, 2009
Not later than one year	358	1,068
Later than one year and not later than five years	430	2,426
Later than five years	-	418
<b>Total</b>	<b>788</b>	<b>3,912</b>

#### iii. Obligations towards finance leases (where the Company is the lessee):

Particulars	<i>(Rs. in Million)</i>	
	As at March 31, 2010	As at March 31, 2009
<b>Minimum lease payments:</b>		
- Less than one year	101	327
- One to five years	244	1,386
- Later than five years	101	48
<b>Total</b>	<b>446</b>	<b>1,761</b>
<b>Present value of minimum lease payments:</b>		
- Less than one year	96	321
- One to five years	230	1,035
- Later than five years	-	26
<b>Total</b>	<b>326</b>	<b>1,382</b>

**32. Earnings per share (EPS)**
**Calculation of EPS (Basic and Diluted)**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>Basic and Diluted EPS</b>		
(Loss) after taxation (Rs. in Million)	(712)	(79,352)
Weighted Average Number of Equity Shares	1,093,000,622	673,014,491
Basic and Diluted EPS of Rs. 2 each (Rs.)	(0.65)	(117.91)

**Note:**

- (i) The weighted average number of equity shares used for Basic EPS and Diluted EPS are the same since the outstanding potential equity shares as at March 31, 2010 and as at March 31, 2009 are anti-dilutive in nature.
- (ii) Earnings per share has been computed in accordance with Accounting Standard 20 - Earnings per Share.

**33. Provision for taxation**
**33.1 Current tax**

No provision has been made in the financial statements towards current tax for the year ended March 31, 2010 towards its domestic operations, since the Company has incurred a tax loss for the year. Further, the Management has assessed the Company's tax position in respect of its overseas operations taking into account the relevant rules and regulations as applicable in the respective countries and, based on professional advice, has determined that the provision amounting to Rs. 143 Million (March 31, 2009 – Rs. 317 Million) made currently is adequate and no additional provision for current tax for the current year needs to be made in respect of the same. The tax provision for the previous year includes an amount of Rs. Nil (March 31, 2009 – Rs. 156 Million) towards adjustments for unreconciled amounts pertaining to the earlier periods.

Part of the Company's operations in India are conducted through Software Technology Parks (STPs). Based on the current statutory provisions Income from STPs is tax exempt for a period of 10 years commencing from the fiscal year in which the unit commences its activities, or upto March 31, 2011, whichever is earlier.

The Company also has operations in Special Economic Zones (SEZs) in India. Income from SEZs are expected to be fully tax exempt for the first five years, 50% exempt for the next five years and 50% exempt for another five years subject to fulfilling certain conditions.

**33.2 Deferred tax**

No deferred tax asset has been recognised as at March 31, 2010 and March 31, 2009 on account of accumulated business losses and other items on grounds of prudence.

**33.3 Transfer pricing**

The Company has entered into international transactions with related parties. In this regard, the Management is of the opinion that all necessary documents as prescribed by the Income Tax Act, to prove that these transactions are at arms length are maintained by the Company and that the aforesaid legislation will not have any impact on the financial statements, particularly on the tax expense and the provision for taxation.

**34. Information on joint venture entities**

The Company did not have any investments in joint ventures during the year ended March 31, 2010.

The particulars of the Company's joint venture entities as at March 31, 2009 including its percentage holding and its proportionate share of assets, liabilities, income and expenditure of the joint venture entities are given below:

Particulars	As at March 31, 2009					For the year ended March 31, 2009		
	Name of the Joint Venture	% Holding	Assets	Liabilities	Contingent Liabilities	Capital Commitments	Income	Expenses
Satyam Venture Engineering Services Private Limited	50%	-	-	-	-	-	115	96
CA Satyam ASP Private Limited	-	-	-	-	-	-	13	19

- (i) CA Satyam ceased to be a joint venture from September 26, 2008, consequent to the acquisition of the balance 50% equity held earlier by CA Inc in CA Satyam, subsequent to which it became a wholly owned subsidiary of the Company. Accordingly, the amounts of Income and Expenses mentioned above are for the period up to September 25, 2008 and are based on the unaudited financial information.



- (ii) Also refer Note 6.11 of Schedule 18 with respect to Satyam Venture Engineering Services Private Limited (SVES). As explained in the said Note, SVES is treated as a subsidiary with effect from June 26, 2008 and, accordingly, the amounts of Income and Expenses mentioned above are for the period upto June 25, 2008 and are based on unaudited financial information.
- (iii) The above entities are located in India.

### 35. Provisions

#### 35.1 Provision for warranties

The Company provides warranty support to some of its customers as per the terms of the contracts (Refer Note 14.6 of Schedule 18). The details of provision for warranties are as follows:

Particulars	<i>(Rs. in Million)</i>	
	For the year ended March 31, 2010	For the year ended March 31, 2009
Opening balance	105	-
Provision made during the year	49	105
Reversal made during the year	(80)	-
Amount utilised during the year	-	-
Closing balance	<b>74</b>	105

**Note:**

Provision for warranties is estimated and made based on technical estimates of the Management and is expected to be settled over the period of next one year.

#### 35.2 Provision for contingencies

The Company carries a general provision for contingencies towards various claims made/anticipated against the Company based on Management's assessment. Also refer Note 6 of Schedule 18. The details of the same are as follows:

Particulars	<i>(Rs. in Million)</i>	
	For the year ended March 31, 2010	For the year ended March 31, 2009
Opening balance	<b>4,750</b>	-
Provision made during the year	-	4,750
Amounts utilised during the year	-	-
Closing balance	<b>4,750</b>	4,750

**Note:**

Given the nature of the claims referred to above, it is not possible to estimate the timing/uncertainties relating to the utilisation/reversals from the provision for contingencies.

#### 35.3 Provision for other unexplained differences debited to the Profit and Loss account comprises the following:

Particulars	<i>(Rs. in Million)</i>		Note Ref.
	For the year ended March 31, 2010	For the year ended March 31, 2009	
Other Differences (Net) between April 1, 2008 and December 31, 2008	-	7	Refer Note 3.4(ii) of Schedule 18
Other Amounts (Net)	20	27	Refer Note 9.3 of Schedule 18
<b>Total</b>	<b>20</b>	<b>34</b>	

### 36. Derivative instruments

The Company, in accordance with its risk management policies and procedures, enters into foreign currency forward contracts and foreign currency option contracts to manage its exposure in foreign exchange rates.

Pursuant to the announcement of the Institute of Chartered Accountants of India (ICAI) in respect of "Accounting for Derivatives", the Company had opted to follow the recognition and measurement principles relating to derivatives as specified in Accounting Standard 30 - "Financial Instruments, Recognition and Measurement", issued by the ICAI, from the year ended March 31, 2008.

The Company has outstanding foreign exchange forward/option contracts to hedge future cash flows, the fair value of which showed a net gain of Rs. 243 Million as at March 31, 2010 (March 31, 2009 – Net loss of Rs. 1,101 Million). Since the mark to market on the derivative contracts as at the Balance Sheet date resulted in a gain, the same has not been accounted on grounds of prudence.

The net loss on forward exchange and option contracts which has been accounted in the Profit and Loss account amounted to Rs. Nil (March 31, 2009 – Rs. 4,632 Million).

- (i) The following are the outstanding forward exchange contracts and foreign currency option contracts entered into by the Company as at March 31, 2010:

Foreign exchange forward contracts as at March 31, 2010:

Particulars	Number of contracts	Amount (In Million)
USD (Sell)	134	133
INR equivalent	134	6,003

Foreign exchange forward contracts as at March 31, 2009:

Particulars	Number of contracts	Amount (In Million)
USD (Sell)	26	45
Total INR equivalent	26	2,294

Foreign currency option contracts as at March 31, 2009:

Particulars	Number of contracts	Amount (In Million)
USD (Sell)	63	119
Total INR equivalent	63	6,076

- (ii) The foreign currency exposures that have not been specifically hedged by a derivative instrument or otherwise are given below:

**As at March 31, 2010**

Currency					(In Million)
	Advances and deposits	Cash and bank balances	Creditors & payables	Debtors and unbilled revenue	Grand total
AED	2	1	(1)	3	5
AUD	1	7	(5)	23	26
BHD	-	-	-	-	-
BND	-	-	-	-	-
BRL	1	1	-	1	3
BWP	-	-	-	-	-
CAD	-	1	-	4	5
CHF	1	2	(2)	4	5
CNY	-	-	-	9	9
CZK	-	2	(2)	-	-
DEM	-	-	-	-	-
DKK	-	6	(1)	12	17
DZD	-	-	-	-	-
EGP	-	-	-	-	-
EUR	18	6	(5)	30	49
GBP	1	3	(5)	17	16
GHC	40	-	-	-	40
GHS	-	-	-	-	-
HKD	-	-	(1)	-	(1)
HUF	3	76	(26)	-	53
JOD	-	-	-	-	-

Contd.



*(In Million)*

Currency	Advances and deposits	Cash and bank balances	Creditors & payables	Debtors and unbilled revenue	Grand total
JPY	111	147	(194)	346	410
KES	6	20	(1)	-	25
KRW	28	309	(43)	73	367
KWD	-	-	-	-	-
LKR	-	7	-	-	7
MUR	2	1	-	-	3
MXN	-	-	-	-	-
MYR	10	1	(13)	-	(2)
NZD	11	-	-	2	13
OMR	-	-	-	-	-
PHP	-	-	(1)	-	(1)
PLZ	-	-	-	-	-
QAR	7	-	-	1	8
RON	-	-	-	-	-
SAR	-	3	-	-	3
SEK	-	3	(3)	-	-
SGD	3	2	(3)	6	8
THB	10	28	(2)	52	88
TTD	1	-	(1)	-	-
TWD	-	12	(1)	-	11
USD	36	25	(49)	215	227
XAF	8	-	(4)	-	4
ZAR	6	3	(7)	23	25
<b>INR equivalent</b>	<b>3,740</b>	<b>2,531</b>	<b>(3,706)</b>	<b>14,905</b>	<b>17,470</b>

*(In Million)*

Currency	Advances and deposits	Cash and bank balances	Creditors & payables	Debtors & Unbilled Revenue	Grand total
AED	3	1	(2)	19	21
AUD	3	9	(12)	46	46
BRL	1	1	(1)	2	3
CAD	-	1	(1)	4	4
CHF	1	1	(2)	5	5
CNY	-	-	-	8	8
CZK	-	3	(1)	-	2
DKK	-	5	(2)	6	9
EUR	14	5	(5)	35	49
GBP	2	1	(8)	15	10
GHC	-	-	40	-	40
HKD	-	2	(2)	-	-
HUF	3	85	(34)	-	54
JPY	104	312	(239)	666	843
KES	3	30	(120)	-	(87)
KRW	22	464	(63)	55	478
LKR	-	13	-	-	13
MUR	-	1	-	-	1
MYR	3	-	(1)	-	2

Contd.

Currency	Advances and deposits	Cash and bank balances	Creditors & payables	Debtors & Unbilled Revenue	Grand total
NZD	-	2	-	1	3
PHP	-	-	(1)	-	(1)
QAR	5	-	(1)	-	4
SAR	1	9	(2)	-	8
SEK	-	1	(4)	-	(3)
SGD	2	2	(5)	6	5
THB	9	19	(3)	30	55
TTD	1	-	(1)	-	-
TWD	-	10	(1)	-	9
USD	31	28	(87)	108	80
XAF	-	-	4	-	4
ZAR	6	15	(7)	21	35
<b>INR Equivalent</b>	<b>3,296</b>	<b>2,972</b>	<b>(6,502)</b>	<b>12,097</b>	<b>11,863</b>

### 37. Quantitative information

#### (i) Information technology and consulting services

The Company is primarily engaged in the development of computer software/ technology and consulting services. 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) Quantitative details of Hardware equipment and other items

The Company has not maintained proper records of its inventories during the year though the required adjustments to account the inventory in the books of account were made based on the available info with the Management as at the year end. Hence with respect to the purchase and sale of hardware equipments and other items, the Company does not have complete quantitative information and has accordingly not disclosed the quantitative details of purchases/sales as required under Schedule VI of the Act.

### 38. Virtual Pool Program

During the current year, the "Virtual Pool Program (VPP)" was introduced to balance the concerns of excess manpower in a humane manner. This was introduced to deal with the reality of 'excess' talent pool - as a result of the various events in the Company. This program enabled the Company to retain talent at a reduced pay for a defined period of time. Extreme care was taken to ensure that the Company did not lose key talent and detailed efforts were adopted to ensure that the experience and skill sets necessary for each customer account / function, was protected. Supporting efforts included structured outplacement programs, financial and career counseling, assistance for higher education etc. The Company also had a "recall" program (based on confirmed need) and eventually brought back 30% of the VPP associates for various roles.

### 39. Notification to NYSE to delist

The company has notified the New York stock Exchange (NYSE) of its intention to delist the ADRs from the said exchange. The Company is currently late in filing its annual report on Form 20-F for the year ended March 31, 2009. The Company was notified by the NYSE of its noncompliance. Pursuant to the NYSE's rules, the Company was given until October 15, 2010, to make this filing, as previously announced, which represents the maximum time period available. The Company does not now anticipate that it will be able to file restated US GAAP financial statements for the period ended March 31, 2009 on or prior to October 15, 2010, the compliance date in accordance with the NYSE's rules.

### 40. Previous period financial statements

- (i) As stated in Note 3.7(ii) of Schedule 18, the former statutory auditors of the Company vide their letter dated January 13, 2009 to the Board of Directors have indicated that their audit reports and opinions in relation to the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon. Certain comparative financial information for the year ended March 31, 2008 included in the financial statements for the previous year, were as per the published numbers (duly converting the amounts in "Crores" to amounts in "Million" and making the required rounding off adjustments), as reported upon by the former statutory auditors vide their report dated April 21, 2008 and as adopted by the shareholders.
- (ii) Previous year's figures are not comparable with the current year figures in view of the reasons stated in Note 3 of Schedule 18 and the exceptional items disclosed in Note 41 of Schedule 18.



#### 41. Exceptional items

The Profit and Loss account includes the following exceptional items (expenditure):

Particulars	<i>(Rs. in Million)</i>	
	For the year ended March 31, 2010	For the year ended March 31, 2009
Expenses related to restructuring/ right sizing	934	-
Expenses related to forensic investigation and litigation support	1,068	832
Provision for Doubtful Debts, Advances, Impairment of Assets	-	3,393
Provision for impairment losses in subsidiaries	2,167	7,150
Provision for contingencies	-	4,750
Prior Period Adjustments (Refer Note 3.4 of Schedule 18)	-	62,428
<b>Total</b>	<b>4,169</b>	<b>78,553</b>

**For and on behalf of the Board of Directors**

**C. Achuthan**  
*Director*

**Vineet Nayyar**  
*Chairman*

**C.P.Gurnani**  
*Whole-time Director & CEO*

**T.N.Manoharan**  
*Director*

**Ulhas N.Yargop**  
*Director*

**S.Durgashankar**  
*Chief Financial Officer*

**G.Jayaraman**  
*Company Secretary*

Place: Hyderabad  
Date : September 29, 2010







## Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to Subsidiary Companies

Name of the subsidiary	Reporting Currency	Exchange Rate	Issued and share capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit/(loss) before taxation	Taxation	Profit/(loss) after taxation	Rs. in Million	
												Proposed Dividend	Country
Satyam BPO Limited (formerly known as Nipuna Services Ltd)	INR	1.00	895	(2,649)	768	2,522	-	1,059	(197)	-	(197)	-	India
Satyam Technologies Inc.	USD	44.95	45	(9)	263	227	-	400	2	1	1	-	US
Satyam Computer Services (Shanghai) Co. Ltd.	CNY	6.59	572	(498)	171	97	-	385	(119)	-	(119)	-	China
Satyam Computer Services (Nanjing) Co. Ltd.	CNY	6.59	238	(237)	56	55	-	62	(111)	-	(111)	-	China
Nitor Global Solutions Ltd.	GBP	68.26	-	5	6	1	-	1	(2)	(1)	(1)	-	UK
Satyam Computer Services (Egypt) S.A.E *	EGP	8.12	68	(67)	49	48	-	34	(21)	-	(21)	-	Egypt
Citisoft Plc., UK	GBP	68.26	8	108	279	163	-	374	3	1	2	-	UK
Citisoft Inc, US	USD	44.95	-	36	192	156	-	384	(7)	(2)	(5)	-	US
Knowledge Dynamics Pte Ltd. (KDPL), Singapore #	SGD	32.14	3	3	12	6	-	-	-	-	-	-	Singapore
Knowledge Dynamics Pvt Ltd. India	INR	1.00	3	(4)	1	2	-	-	-	-	-	-	India
Bridge Strategy Group LLC (Bridge Strategy)	USD	44.95	-	-	170	170	-	571	(264)	(26)	(238)	-	US
Satyam Computer Services Belgium, BVBA (Satyam Belgium)	EUR	60.80	1	(2)	63	1,442	1,378	-	(2)	-	(2)	-	Belgium
S&V Management Consultants NV (S&V)	EUR	60.80	8	106	262	148	-	581	80	29	51	-	Belgium
Satyam Venture Engineering Services Pvt. Ltd. (SVES)	INR	1.00	71	332	858	455	-	766	26	12	14	-	India
C&S System Technology Pvt. Ltd. (formerly CA Satyam ASP Private Limited) (CA Satyam)	INR	1.00	143	(70)	88	15	-	44	(14)	-	(14)	-	India

\* Audit of accounts as per local legal requirements is under progress. These amounts are as per the accounts audited and certified by a firm of Chartered Accountants in India for group consolidation purposes.

# Audit of accounts as per local legal requirements is under progress. These amounts are as per the accounts audited and certified by a firm of Chartered Accountants in Singapore for group consolidation purposes.

### Note:

The Company has incorporated subsidiaries in Mexico (Satyam Computer Services De Mexico S.DE R.L.DE C.V) and Brazil (Satyam Servicos De Informatica LTDA). However, no investments have been made by the Company in these subsidiaries as at March 31, 2010. Further, there are no operations in these subsidiaries during the current year. Hence, these have not been considered for the purpose of consolidation.

# Auditors' Report

TO THE BOARD OF DIRECTORS OF  
SATYAM COMPUTER SERVICES LIMITED

## Appointment

1. We have been appointed as statutory auditors of **SATYAM COMPUTER SERVICES LIMITED** ("the Company") for the year ended March 31, 2010 by the Board of Directors of the Company (hereinafter referred to as the "Board") subject to the ratification by the shareholders of the Company, pursuant to the order of the Honourable Company Law Board (CLB) dated July 6, 2009. This report is subject to the ratification of our appointment by the shareholders of the Company.

## Report on the Consolidated Financial Statements

2. We have audited the attached Consolidated Balance Sheet of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") as at March 31, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto.

## Management's Responsibility for the Financial Statements

3. These financial statements are the responsibility of the Group's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

## Auditors' Responsibility

4. **Subject to the matters discussed in this report**, we conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

## Basis for Opinion

5. We did not audit the financial statements of 15 subsidiaries, whose financial statements reflect total assets (net) of Rs. 2,714 Million as at March 31, 2010, total revenue (net) of Rs. 3,877 Million and net cash outflows of Rs. 85 Million for the year then ended, as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included/disclosures made in respect of the aforesaid subsidiaries, is based solely on the reports of the other auditors.
6. As stated in Note 3 of Schedule 18:
  - a. In respect of the financial irregularities, various regulators initiated their investigations and legal proceedings, which are ongoing and are more fully described in the said Note.
  - b. The forensic accountants have expressed certain reservations and limitations in their investigation process which are more fully described in the said Note.
  - c. The Management is of the view that since matters relating to several of the financial irregularities are *sub judice* and various investigations are ongoing, any further adjustments/disclosures to the financial statements, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

**In view of the above, we are unable to comment on the adjustments/disclosures which may become necessary as a result of further findings of the ongoing investigations and the consequential impact, if any, on these financial statements.**

7. As stated in Note 3.3(ii) of Schedule 18, the Company had, based on the forensic investigation, accounted for the differences aggregating to Rs. 11,394 Million (net debit) under "Unexplained Differences Suspense Account (Net)" under Schedule 12 due to non-availability of complete information. These net debit amounts aggregating Rs. 11,394 Million have been fully provided for on grounds of prudence in the previous year.

**In the absence of complete / required information, we are unable to comment on the accounting treatment/disclosure for the aforesaid unexplained amounts accounted under "Unexplained Differences Suspense Account (Net)" in these financial statements.**

8. As stated in Note 6.1 of Schedule 18, the alleged advances amounting to Rs. 12,304 Million (Net) has been presented separately under 'Amounts Pending Investigation Suspense Account (Net)' in the Balance Sheet. The details of these claims and the related developments are more fully described in the said note.

The Management has represented that since the matter is *sub judice* and the investigations by various government agencies are in progress, the Management, at this point of time is not in a position to predict the ultimate outcome of the legal proceedings.

**In view of the above, we are unable to determine whether any adjustments/disclosures will be required in respect of the aforesaid alleged advances amounting to Rs. 12,304 Million (net) and in respect of the non-accounting of any damages/compensation/interest in these financial statements.**



9. As stated in Note 6.3 of Schedule 18, a number of persons claiming to have purchased the Company's securities have filed class action lawsuits in various courts in the United States of America. These class action suits are more fully described in the said Note. Based on the legal advice obtained by the Company, the Company is contesting the above lawsuits.
- Since the matter is *sub judice*, the outcome of which is uncertain at this stage, we are unable to comment on the consequential impact, if any, on these financial statements.**
10. Attention is invited to the following matters:
- a. As stated in Note 9.3 of Schedule 18, certain reconciliations between the sub-systems / sub-ledgers and the general ledger could not be performed completely due to non-availability of the required information. The Company has identified certain amounts aggregating Rs.47 Million (net debit), comprising of Rs. 515 Million (gross debits) and Rs. 468 Million (gross credits) appearing in the general ledger, for which complete details are not available and, hence, these amounts have been accounted under "Unexplained Differences Suspense Account (Net)" under Schedule 12 and the Management has made provision for the unexplained net debit amount of Rs. 47 Million as at March 31, 2010 on grounds of prudence. Further, there are certain differences in data between inter-connected sub-systems, ultimately interfaced to the general ledger, for which complete details are not available.
- In the absence of the required information, we are unable to determine the additional impact, if any, of such unexplained amounts/differences on these financial statements.**
- b. In respect of the Company, responses were not received in 1311 number of cases out of our total sample of 1822 number of requests sent out for confirmations of balances/other details in respect of parties reflected under Sundry Debtors, Loans and Advances, Current Liabilities etc. Further, confirmations could not be sent in 14 number of cases due to the non-availability of complete records/ addresses relating to these parties. Refer Note 9.4 of Schedule 18.
- Had all the confirmations been received and reconciled, there may have been additional adjustments required to these financial statements, which are not determinable at this stage.**
11. Attention is invited to the following matters:
- a. As stated in Note 12.4 of Schedule 18, the Company has given as finance lease, vehicles to the employees under the Associates Car Purchase Scheme, the gross original cost of which aggregates Rs. 443 Million (net book value Rs. 187 Million as at March 31, 2010), which have not been accounted for as finance leases in accordance with AS 19 – Leases in the absence of complete/adequate information.
- In the absence of adequate/complete information, we are unable to determine the extent to which fixed assets and depreciation have been overstated and the impact of the non-compliance with AS 19 - Leases on these financial statements.**
- b. The disclosures made in Note 26 of Schedule 18, with respect to various geographical segment details are based on the available information with the Management.
- We are unable to comment on the completeness/correctness of the geographical segment details in the absence of all the required information.**
- c. As stated in Note 14.5 of Schedule 18, **the Company has not maintained proper records of its inventories during the year though the required adjustments to account for the inventory in the books of account were made based on the available information with the Management as at the year end.**
12. The Management has evaluated and accounted for certain transactions/made the relevant disclosures based on and to the extent of the information available with the Company in respect of the following Notes of Schedule 18:
- a. Adjustment of unapplied receipts against Sundry Debtors, classification of Sundry Debtors and provisioning for doubtful debts as stated in Note 14.1.
- b. Accounting for contracts under percentage of completion method and unbilled revenue as stated in Notes 14.2 and 14.3.
- c. Accounting for multiple deliverable elements, hardware equipments and other items etc., as stated in Notes 14.4 and 14.5.
- d. Accounting for unearned revenue as stated in Note 14.7.
- e. Accounting for reimbursements / recoveries from customers as stated in Note 14.9.
- In the absence of the required information, we are unable to determine the additional impact, if any, of the above matters on these financial statements.**
13. As stated in Note 6.6(vi) of Schedule 18, the Company is carrying a total amount of Rs. 3,686 Million (net of payments) as at March 31, 2010 towards provision for taxation which was made primarily on the basis of the past financial statements. Considering the effects of financial irregularities, status of disputed tax demands, appeals / claims pending before the various authorities, the consequent uncertainties regarding the outcome of these matters and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the balance of tax provision outstanding as at March 31, 2010.
- In view of the above, we are unable to comment on the adequacy or otherwise of the provision for taxation carried in these financial statements.**
14. Without qualifying our opinion, we invite attention to the following Notes of Schedule 18 relating to various claims and contingencies:
- a. Note 6.2 regarding the settlement amount of Rs. 3,274 Million (equivalent to USD 70 Million) deposited into the escrow account payable to Upaid Systems Limited.
- b. Note 6.4 regarding the Division of Enforcement of the United States Securities and Exchange Commission conducting a formal investigation into misstatements in the financial statements of the Company for the prior years pursuant to the letter of the erstwhile Chairman and recommending enforcement action against the Company.

- c. Notes 6.6 to 6.8 regarding the various demands/disputes raised by the direct and indirect tax authorities in respect of the past years both in India as well as overseas jurisdictions.

As stated in Note 6.13 of Schedule 18, the Company has made appropriate provision for contingencies as at March 31, 2010 which, in the opinion of the Management, is adequate to cover any probable losses in respect of the above litigations and claims.

15. Without qualifying our opinion, we invite attention to the following Notes of Schedule 18 relating to certain regulatory non-compliances/breaches:
- Note 8.1 regarding various non-compliances with the provisions of the Companies Act, 1956.
  - Note 8.2 regarding certain non-compliances of the guidelines issued by the Securities Exchange Board of India with respect to allotment of stock options to the employees.
  - Note 8.3 regarding certain non-compliances of the provisions of the Foreign Exchange Management Act, 1999.
  - Note 8.5 regarding certain non-compliances of the provisions of the Income Tax Act, 1961.
  - Note 8.6 regarding delay in filing of tax returns in overseas jurisdictions.

The Management has represented that:

- the various non-compliances and breaches by the Company of the statutory requirements which have been noticed/observed, duly considering the findings of the forensic investigation/other ongoing regulatory investigations have been summarised in the aforesaid Notes.
  - the Company is proposing to make an application to the appropriate authorities, where applicable, for condoning these non-compliances and breaches relating to the Company.
  - the possible impact of these non-compliances and breaches in the event the Company's condonation requests, where applicable, are not granted has not been determined or recognised in these financial statements.
16. Without qualifying our opinion, we invite attention to the following Notes of Schedule 18 relating to certain accounting and other matters:
- Note 9.1 regarding the Management's identification of several deficiencies in the Company's internal control over financial reporting as at March 31, 2010 along with certain remediation action taken.
  - Note 9.5 regarding various risks and uncertainties relevant to the Company's financial condition as identified by the Management.
17. Without qualifying our opinion, we invite attention to Note 23 of Schedule 18 regarding provision made for statutory audit fees of Rs. 18 Million for the Company debited to the profit and loss account which is subject to the approval of the shareholders.
18. Without qualifying our opinion, we invite attention to Notes 1.3(v) and (vi) of Schedule 18 regarding certain entities/subsidiaries not considered for the purpose of consolidation for the reasons stated in the said Notes.
19. In the case of one of the subsidiaries of the Company, the other auditors have drawn attention to accrual of liability towards sales commission pending final outcome of ongoing dispute between the promoters of the subsidiary. Refer Note 20(i) of Schedule 18.
20. In the case of another subsidiary of the Company, the other auditors have drawn attention to the inspection by regulatory authorities and their inability to express an opinion on the adjustments, if any, required in the financial statements. Refer Note 19.1 of Schedule 18.
21. We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements on the basis of the separate audited financial statements of the Company and its subsidiaries included in the Consolidated Financial Statements.

### Opinion

22. Further to our comments in paragraphs 14 to 20 above and **subject to our comments in paragraphs 6 to 13 above and the consequential effects thereof which are not quantifiable**, based on our audit and on consideration of the reports of the other auditors on the financial statements and other financial information of the entities referred to in paragraph 5 above, and to the best of our information and according to the explanations given to us, we are of the opinion that the aforesaid Consolidated Financial Statements, read together with the Notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
- in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
  - in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date; and
  - in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 008072S)

**P.R.Ramesh**  
Partner  
(Membership No.70928)

HYDERABAD, September 29, 2010



## Consolidated Balance Sheet as at March 31, 2010

(Rs. in Million)

	Schedule	As at March 31, 2010	As at March 31, 2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	2,352	1,348
Share Application Money Pending Allotment (Refer Note 11 of Schedule 18)		1	-
Reserves and Surplus	2	43,947	16,097
		<u>46,300</u>	<u>17,445</u>
<b>Minority Interest</b>			
		201	195
<b>Loan Funds</b>			
Secured Loans	3	422	8,142
<b>Deferred Tax Liability (Net)</b> (Refer Note 30.2 of Schedule 18)		39	48
<b>SUB TOTAL</b>		<u>46,962</u>	<u>25,830</u>
<b>Amounts Pending Investigation Suspense Account (Net)</b> (Refer Note 6.1 of Schedule 18)		12,304	12,304
<b>TOTAL</b>		<u>59,266</u>	<u>38,134</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	25,635	28,897
Accumulated Depreciation / Amortisation		19,501	20,401
Net Block		6,134	8,496
Capital Work-in-Progress (Including Capital Advances)		3,731	3,892
		<u>9,865</u>	<u>12,388</u>
<b>Investments</b>			
<b>Deferred Tax Asset (Net)</b> (Refer Note 30.2 of Schedule 18)	5	6,268	-
		65	65
<b>Current Assets, Loans and Advances</b>			
Inventories (Refer Note 14.5 and 14.10 of Schedule 18)		-	10
Sundry Debtors	6	9,230	15,516
Cash and Bank Balances	7	21,768	5,009
Other Current Assets	8	4,956	2,913
Loans and Advances	9	3,845	4,663
		<u>39,799</u>	<u>28,111</u>
<b>Current Liabilities and Provisions</b>			
Current Liabilities	10	8,818	13,892
Provisions	11	15,404	14,783
		<u>24,222</u>	<u>28,675</u>
<b>Net Current Assets</b>		<u>15,577</u>	<u>(564)</u>
<b>Debit Balance in Profit and Loss Account</b>		27,491	26,245
<b>SUB TOTAL - (NET)</b>		<u>59,266</u>	<u>38,134</u>
<b>Unexplained Differences Suspense Account (Net)</b>	12	-	-
<b>TOTAL (NET)</b>		<u>59,266</u>	<u>38,134</u>
<b>Notes to Accounts</b>	18		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
Partner

Place: Hyderabad  
Date : September 29, 2010

For and on behalf of the Board of Directors

**C. Achuthan**  
Director

**T.N.Manoharan**  
Director

**Ulhas N.Yargop**  
Director

**Vineet Nayyar**  
Chairman

**S.Durgashankar**  
Chief Financial Officer

**C.P.Gurnani**  
Whole-time Director & CEO

**G. Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010

**Consolidated Profit and Loss Account for the Year Ended March 31, 2010**

	<i>Schedule</i>	For the Year Ended March 31, 2010	(Rs. in Million) For the Year Ended March 31, 2009
<b>Income</b>			
Income from Operations	13	54,810	88,126
Other Income	14	1,056	631
		<u>55,866</u>	<u>88,757</u>
<b>Expenditure</b>			
Personnel Expenses	15	40,292	60,737
Operating and Administration Expenses	16	11,951	29,395
Provision for Contingencies (Refer Note 31.2 of Schedule 18)		-	4,750
Others (Refer Note 22 of Schedule 18)		2,035	2,588
		<u>54,278</u>	<u>97,470</u>
<b>Profit / (Loss) before Interest, Depreciation, Prior Period Adjustments, Tax and Minority Interest</b>		<b>1,588</b>	<b>(8,713)</b>
Interest and Financing Charges	17	329	621
Depreciation / Amortisation	4	2,276	8,394
		<u>2,605</u>	<u>9,015</u>
<b>(Loss) before Prior Period Adjustments, Tax and Minority Interest</b>		<b>(1,017)</b>	<b>(17,728)</b>
Prior Period Adjustments (Refer Note 3.4 of Schedule 18)		-	62,428
<b>(Loss) before Tax and Minority Interest</b>		<b>(1,017)</b>	<b>(80,156)</b>
Provision for Tax			
Income Tax - Current (Refer Note 30.1 of Schedule 18)		212	542
- Deferred (Refer Note 30.2 of Schedule 18)		(9)	855
Fringe Benefit Tax (Net) - For the Year		19	169
- For Prior Years (Refer Note 8.1 (viii) of Schedule 18)		-	24
		<u>(1,239)</u>	<u>(81,746)</u>
<b>Net (Loss) for the Year before Minority Interest</b>		<b>(1,239)</b>	<b>(81,746)</b>
Share of Minority Interest		7	22
<b>Net (Loss) for the Year</b>		<b>(1,246)</b>	<b>(81,768)</b>
<b>Balance in Profit and Loss Account Brought Forward</b>		<b>(26,245)</b>	<b>42,430</b>
(Previous Year Balance is "As Published" - Refer Note 35 of Schedule 18)			
Add: Amount transferred from Consolidation Adjustment Account (Refer Note 18 of Schedule 18)		-	7,552
Residual Dividend and Additional Dividend Tax (Refer Note 17 of Schedule 18)		-	8
<b>Amount Available for Appropriation</b>		<b>(27,491)</b>	<b>(31,794)</b>
Dividend (Refer Notes 8.1 (vi) & 8.1 (vii) of Schedule 18)			
Interim		-	674
Final		-	-
Total Dividend		-	674
Dividend Tax		-	114
Amount Transferred to General Reserve (Refer Note 8.1 (vii) of Schedule 18)		-	-
<b>(Debit) Balance in Profit and Loss Account</b>		<b>(27,491)</b>	<b>(32,582)</b>
Adjusted against the Balance in General Reserve, to the extent available		-	6,337
<b>(Debit) Balance in Profit and Loss Account Carried to Balance Sheet</b>		<b>(27,491)</b>	<b>(26,245)</b>

Contd.





## Consolidated Profit and Loss Account for the Year Ended March 31, 2010

	<i>Schedule</i>	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
Earnings per Share (Refer Note 29 of Schedule 18) - in Rs. (Equity Shares, Par Value Rs. 2 each)			
Basic		<b>(1.14)</b>	(121.49)
Diluted		<b>(1.14)</b>	(121.49)
Weighted Average Number of Shares			
Basic		<b>1,093,000,622</b>	673,014,491
Diluted		<b>1,093,000,622</b>	673,014,491
<b>Notes to Accounts</b>	18		

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
*Partner*

Place: Hyderabad  
Date : September 29, 2010

**C. Achuthan**  
*Director*

**T.N.Manoharan**  
*Director*

**Ulhas N.Yargop**  
*Director*

**Vineet Nayyar**  
*Chairman*

**S.Durgashankar**  
*Chief Financial Officer*

**For and on behalf of the Board of Directors**

**C.P.Gurnani**  
*Whole-time Director & CEO*

**G. Jayaraman**  
*Company Secretary*

Place: Hyderabad  
Date : September 29, 2010

**Consolidated Cash Flow Statement (CFS) for the Year Ended March 31, 2010**

	(Rs. in Million)	
	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
<b>I CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>(Loss) before Tax</b>	<b>(1,017)</b>	(80,156)
Prior Period Adjustments (Financial Irregularities) (Refer Note 3.4 of Schedule 18 and Note (iii) below)	-	63,224
Adjustments for :		
Depreciation/ Amortisation (including Adjustments for Prior Years)	<b>2,276</b>	9,072
Employee Stock Compensation Expense	<b>(181)</b>	628
Interest and Financing Charges	<b>329</b>	621
Interest / Dividend Income	<b>(534)</b>	(23)
Profit on Sale of Investment	<b>(223)</b>	-
Liabilities / Provisions No Longer Required Written Back	-	(248)
Tax Deducted at Source Written Off	-	37
Advances written off	<b>287</b>	-
Loss on Fixed Assets Sold/Written off (Net)	<b>101</b>	324
Provision for Capital Work in Progress	-	587
Provision for Doubtful Debts	<b>354</b>	3,424
Provision for Impairment of Assets	-	3
Provision for Doubtful Advances	<b>31</b>	400
Provision for Unexplained Differences	<b>20</b>	34
Provision for Warranties (Released) / Made (Net)	<b>(31)</b>	105
Provision for Contingencies	-	4,750
Provision for Losses in Subsidiaries	<b>2,035</b>	2,588
Effect of Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	<b>261</b>	50
<b>Operating Profit before Working Capital Changes</b>	<b>3,708</b>	5,420
<i>Changes in Working Capital</i>		
Inventories	<b>10</b>	(9)
Sundry Debtors	<b>5,912</b>	(408)
Other Current Assets	<b>(1,633)</b>	(2,896)
Loans and Advances	<b>492</b>	(1,063)
Margin Money Deposits	<b>(7)</b>	(285)
Settlement amount transferred to Escrow Account (Refer Note 6.2 of Schedule 18)	<b>(3,274)</b>	-
Current Liabilities and Provisions (Refer Note (ii) below)	<b>(4,100)</b>	3,318
<b>Cash Generated from Operations</b>	<b>1,108</b>	4,077
Taxes Paid (Net)	<b>(945)</b>	(1,057)
<b>Net Cash From Operating Activities</b>	<b>163</b>	3,020
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Refer Note (ii) below)	<b>(1,584)</b>	(8,035)
Proceeds from Sale of Fixed Assets	<b>633</b>	2,133
Purchase of Current Investments - Mutual Fund Units	<b>(18,498)</b>	-
Proceeds from Sale of Current Investments	<b>12,453</b>	-
Purchase of Interests in Subsidiaries	<b>(581)</b>	(1,659)
Investments in Fixed Deposits with banks having maturity over three months	<b>(15,251)</b>	-
Interest / Dividend Received	<b>124</b>	24
Proceeds on Maturity of Fixed Deposits	<b>500</b>	-
<b>Net Cash (Used in) Investing Activities</b>	<b>(22,204)</b>	(7,537)
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital (Including Securities Premium)	<b>29,084</b>	531
Changes in Share Application Money Pending Allotment	<b>1</b>	(18)
Proceeds from Secured Loans taken	-	9,776
Repayment of Secured Loans	<b>(7,667)</b>	(3,896)
Interest Paid on Loans	<b>(382)</b>	(578)
Dividends Paid (Including Distribution Tax)	-	(2,757)
<b>Net Cash From Financing Activities</b>	<b>21,036</b>	3,058

Contd.



## Consolidated Cash Flow Statement (CFS) for the Year Ended March 31, 2010

	(Rs. in Million)	
	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
<b>IV. AMOUNTS PENDING INVESTIGATION SUSPENSE ACCOUNT (NET)</b>	-	2,104
<b>Net (Decrease) / Increase in Cash and Cash Equivalents (I + II + III + IV)</b>	<b>(1,005)</b>	645
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>4,644</b>	11,940
Opening Balance Adjustments (Refer Note (iii) below)	-	(8,097)
Cash and Cash Equivalents on Account of New Subsidiaries	-	206
Effect of Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	<b>(261)</b>	(50)
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>3,378</b>	4,644
<b>Notes:</b>		
(i) Reconciliation of Cash and Cash Equivalents at the End of the Year with Schedule 7		
Cash and Bank Balance as per Schedule 7	<b>21,768</b>	5,009
Less: Margin Money Deposits	<b>(292)</b>	(285)
Less: Settlement amount transferred to Escrow Account (Refer Note 6.2 of Schedule 18)	<b>(3,274)</b>	
Less: Investments in Fixed Deposits with banks having maturity over three months	<b>(14,751)</b>	
Less: Investments in Long Term Deposits with Scheduled Banks		
Less: Dividend Bank Accounts	<b>(73)</b>	(80)
Cash and Cash Equivalents at the End of the Year	<b>3,378</b>	4,644

- (ii) Purchase of Fixed Assets includes payments for items in capital work in progress and capital advances for purchase of fixed assets. Adjustments for increase / decrease in current liabilities relating to the acquisition of fixed assets has been made to the extent identified.
- (iii) For the purpose of determining the movement in cash and cash equivalents during the previous year ended March 31, 2009 as per the Indirect Method, the balances as at March 31, 2008 ("As Published" (Refer Note 35 of Schedule 18)), were adjusted for the effects of the prior period adjustments on the opening balances of previous year as follows:

	(Rs. in Million)		
	As at March 31, 2008 "As Published" (Refer Note 35 of Schedule 18)	Prior Period Adjustments (Financial Irregularities)	Adjusted Opening Balance as at April 1, 2008 considered for the CFS
Cash and Cash Equivalents	11,940	8,097	3,843
Margin Money Deposits	33,084	33,084	-
Sundry Debtors (Gross)	24,945	5,719	19,226
Interest Accrued on Bank Deposits	2,725	2,721	4
Taxes	(1,196)	3,901	(5,097)
Unrecorded Tax Payments	-	(498)	498
Amounts Pending Investigation Suspense Account (Net)	-	10,200	(10,200)
<b>Total</b>	<b>71,498</b>	<b>63,224</b>	<b>8,274</b>

Schedules 1 to 18 attached form an integral part of the Accounts.

As per our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**P.R.Ramesh**  
Partner

Place: Hyderabad  
Date : September 29, 2010

**C. Achuthan**  
Director

**T.N.Manoharan**  
Director

**Ulhas N.Yargop**  
Director

For and on behalf of the Board of Directors

**Vineet Nayyar**  
Chairman

**S.Durgashankar**  
Chief Financial Officer

**C.P.Gurnani**  
Whole-time Director & CEO

**G. Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010

**Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010**

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
<b>1. Share Capital</b>		
Authorised Capital (Refer Note (i) below)		
1,400,000,000 Equity Shares of Rs 2 each	<u>2,800</u>	<u>2,800</u>
Issued, Subscribed and Paid-up Capital (Refer Notes (ii) and (iii) below)		
1,176,185,762 (As at March 31, 2009 - 673,894,792) Equity Shares of Rs. 2 each fully paid	<u>2,352</u>	1,348
	<u>2,352</u>	<u>1,348</u>
<b>Notes:</b>		
(i) Pursuant to the Company Law Board order dated February 19, 2009, the authorised share capital of the Company was increased from Rs. 1,600 Million to Rs. 2,800 Million at the Board of Directors' meeting held on February 21, 2009. Refer Note 4 of Schedule 18.		
(ii) Out of the above:		
(a) 4,000,000 Equity Shares of Rs. 2 each (after sub-division of Equity Shares) were allotted as fully paid-up for consideration other than cash pursuant to the scheme of amalgamation with Satyam Enterprise Solutions Limited.		
(b) 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.		
(c) 33,350,000 Equity Shares of Rs. 2 each fully paid-up representing 16,675,000 American Depository Shares allotted.		
(d) 6,500,000 Equity Shares of Rs. 2 each fully paid-up was allotted to Satyam Associates Trust in connection with the Associate Stock Option Plan - A (ASOP-A).		
(e) 31,233,849 (As at March 31, 2009 - 31,229,043) Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company pursuant to the Associate Stock Option Plan - B (ASOP-B) and Associate Stock Option Plan (ADS) (ASOP-ADS).		
(f) 319,468 (As at March 31, 2009 - 37,374) Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company representing 159,734 (As at March 31, 2009 - 18,687) Restricted Stock Units (ADS).		
(g) 974,882 (As at March 31, 2009 - 393,637) Equity Shares of Rs. 2 each fully paid-up were allotted to associates of the Company pursuant to the Restricted Stock Units (ASOP).		
(h) 501,422,825 Equity Shares of Rs.2 each fully paid up were allotted during the year to M/s Venturbay Consultants Private Limited (Refer Note 5 of Schedule 18).		
(iii) For other details of Associate Stock Options, in respect of the above Equity Shares (Refer Note 10 of Schedule 18).		



## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
<b>2. Reserves and Surplus</b>		
Securities Premium Account		
At the Commencement of the Year (Previous Year Balance is "As Published" - Refer Note 35 of Schedule 18)	<b>14,661</b>	13,577
Add: Amounts Received on allotment of Equity Shares (Refer Note 5 of Schedule 18)	<b>28,080</b>	-
Add: Amounts Received on exercise of Employee Stock Options (ASOP-B and ASOP-ADS)	-	524
Add: Amounts transferred from Stock Option Outstanding Account (March 31, 2009 - including relating to Prior Years)	<b>424</b>	427
Add: Adjustment on account of Fringe Benefit Tax on ASOP (Refer Note 8.1 (viii) of Schedule 18)	-	24
Add: Amount Transferred from Consolidation Adjustment Account (Refer Note 18 of Schedule 18)	-	109
	<b>43,165</b>	14,661
General Reserve		
At the Commencement of the Year (Previous Year Balance is "As Published" - Refer Note 35 of Schedule 18)	-	6,379
Less: Amount transferred to Consolidation Adjustment Account (Refer Note 18 of Schedule 18)	-	42
	-	6,337
Less: Debit Balance in Profit and Loss Account, adjusted to the extent of available General Reserve	-	6,337
	-	-
Capital Reserves		
At the Commencement of the Year (Previous Year Balance is "As Published" - Refer Note 35 of Schedule 18)	-	7,685
Less: Amount transferred to Consolidation Adjustment Account (Refer Note 18 of Schedule 18)	-	7,685
	-	-
Associate Stock Options (Refer Note 10 of Schedule 18)		
Stock Option Outstanding Account	<b>890</b>	1,897
Less: Deferred Employee Compensation Expense	<b>92</b>	495
	<b>798</b>	1,402
Foreign Currency Translation Reserves	<b>(16)</b>	34
Consolidation Adjustment Account (Net) (Refer Note 18 of Schedule 18)	-	-
	<b>43,947</b>	16,097
<b>3. Secured Loans</b>		
Working Capital Loans	-	898
Rupee Term Loans from Banks	-	4,521
Vehicle Loans		
- from Banks	<b>53</b>	139
- from Others	<b>43</b>	130
	<b>96</b>	269
Foreign Currency Packing Credit Loan from Bank	-	1,019
Lease Obligation to Others in relation to Fixed Assets under Finance Lease (Refer Note 28 of Schedule 18)	<b>326</b>	1,382
Interest and Other Dues Accrued and Due on Above Loans	-	53
	<b>422</b>	8,142

#### Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010

#### 4. Fixed Assets

##### a) Fixed Assets

Assets	Gross Block					Accumulated Depreciation / Amortisation			Net Block		
	As at March 31, 2009	Acquisition of Subsidiaries	Adjustments during the Year	Additions during the Year	Deletions during the Year	As at March 31, 2010	Adjustments during the Year (Refer Note (v) below)	For the Year (Refer Note (i) below)	Deductions during the Year	As at March 31, 2010	As at March 31, 2009
<b>Tangible Assets</b>											
Land and Land Development											
- Freehold (Refer Note 12.3 of Schedule 18)	332	-	-	-	-	332	-	-	-	332	332
- Leasehold (Note (iii) below)	361	-	6	-	6	355	-	1	1	351	357
Buildings (Note (iv) below)	2,708	-	18	17	17	2,709	-	126	17	2,132	2,240
Plant and Machinery (Including Computers)	12,400	-	(17)	230	2,293	10,320	-	1,227	2,256	8,765	2,596
Furniture, Fixtures and Interiors (Including Leasehold improvement)	3,274	-	(10)	86	581	2,769	-	343	564	2,131	916
Office Equipments	609	-	(5)	9	29	584	-	76	26	421	235
Vehicles (Refer Note 12.4 of Schedule 18)	665	-	-	2	214	453	-	119	136	259	389
Assets taken on Finance Lease											
Plant and Machinery	167	-	-	-	-	167	-	13	-	160	20
Furniture, Fixtures and Interiors	951	-	-	83	748	286	-	128	154	99	826
<b>Intangible Assets</b>											
Software	1,896	-	(14)	117	-	1,999	-	111	-	1,822	182
Goodwill on Consolidation (Refer Note 13.8 of Schedule 18)	5,534	-	(5)	132	-	5,661	-	132	-	5,263	403
<b>Total</b>	<b>28,897</b>	<b>-</b>	<b>(51)</b>	<b>677</b>	<b>3,888</b>	<b>25,635</b>	<b>(22)</b>	<b>2,276</b>	<b>3,154</b>	<b>19,501</b>	<b>8,496</b>
<b>Previous Year</b>	19,602	236	3,615	8,169	2,725	28,897	150	8,394	268	20,401	8,185
	Refer Note 35 of Schedule 18						Refer Note 35 of Schedule 18				

##### Notes:

- Refer Note 12.2 of Schedule 18 with respect to accelerated depreciation for certain assets.
- Gross Block of Leasehold land includes Rs. 79 Million (As at March 31, 2009 - Rs. 79 Million) in respect of which the deed of conveyance was pending as at March 31, 2010.
- Gross Block of Buildings includes Rs. 740 Million (As at March 31, 2009 - Rs. 740 Million) being the cost of building constructed on land taken on lease by the Company.
- Previous Year Balance under Gross Block and Accumulated Depreciation/ Amortisation includes Rs. 3,556 Million and Rs. 678 Million, respectively, towards adjustments/regroupings carried out in the previous year.
- Includes Rs. (22) Million (As at March 31, 2009 - Rs. 30 Million) considered in foreign currency translation reserves due to translation of non-integral foreign subsidiaries.

##### b) Capital Work in Progress (including Capital Advances)

Particulars	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
Construction Related Contracts (Refer Note 12.6 of Schedule 18)	2,247	2,214
Other Fixed Assets		1,600
Capital Advances (Refer Note 12.6 of Schedule 18)	1,523	665
Sub Total	4,318	4,479
Less: Provision for Capital Work in Progress (Refer Note 12.7 of Schedule 18)	(587)	(587)
<b>Total</b>	<b>3,731</b>	<b>3,892</b>



## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010

		(Rs. in Million)	
		As at March 31, 2010	As at March 31, 2009
<b>5.</b>	<b>Investments</b>		
	<b>a) Long Term Investments - Non-Trade - Unquoted</b>		
	Upaid Systems Limited		
	833,333 Shares of USD 0.20 each, fully paid-up	109	109
	Less: Provision for Diminution in Value of Investment	109	109
	National Savings Certificates, VIII Series	-	-
	(Rs. 6,000 (As at March 31, 2009 - Rs. 6,000) Only)		
	(Lodged as Security with Government Authorities)		
	<b>Sub-total (a)</b>	-	-
	<b>b) Investments in Entities which are Liquidated / Dissolved</b>		
	<i>Investments in Other Long Term Investments - Trade - Unquoted</i>		
	Medbiquitous Services Inc., (Refer Note (ii) below)		
	334,000 Shares of 'A' series preferred stock of US Dollars 0.001 each, fully paid-up	16	16
	Less: Provision for Diminution in Value of Investment	16	16
	Avante Global LLC., (Refer Note (ii) below)		
	577,917 Class 'A' Units representing a total value of USD 540,750	25	25
	Less: Provision for Diminution in Value of Investment	25	25
	<b>Sub-total (b)</b>	-	-
	<b>c) Current Investments (Unquoted) (At lower of cost and fair value)</b>		
	<b>Non Trade:</b>		
	43,720,972.06 Units of Rs. 10 each of HDFC Cash Management Fund Treasury Advantage Plan - Wholesale - Growth - Purchased during the year	848	
	6,865,539.62 Units of Rs. 100 each of ICICI Prudential Flexible Income Plan Premium Growth - Purchased during the year	1,129	
	58,024,062.04 Units of Rs. 10 each of Kotak Floater Long Term Growth - Purchased during the year	814	
	842,472.71 Units of Rs. 1000 each of Reliance Money Manager Fund Institutional Option - Growth Plan - Purchased during the year	1,015	
	61,112,684.51 Units of Rs. 10 each of IDFC Money Manager - Treasury Plan C Super Institutional Plan C Growth - Purchased during the year	641	
	75,714,781.34 Units of Rs. 10 each of Fortis Money Plus Fund - Institutional - Growth - Purchased during the year	1,013	
	63,244,098.22 Units of Rs. 10 each of LIC MF Income Plus Fund Growth Plan - Purchased during the year	756	
	3,052,846.96 Units of Rs. 10 each of Birla Sun Life Savings Fund Institutional Growth - Purchased during the year	52	
	<b>Sub-total (c)</b>	6,268	
	<b>Total (a) + (b) + (c)</b>	6,268	

Contd.



**Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010**

	As at March 31, 2010	As at March 31, 2009
<b>(Rs. in Million)</b>		
<b>Notes</b>		
(i) Cost of Unquoted Investments		
- Gross of Provision for Diminution in the Value of Investments	<b>6,418</b>	150
- Net of Provision for Diminution in the Value of Investments	<b>6,268</b>	-
(ii) These companies have been liquidated / dissolved as per the laws of the respective countries. However, the Company is awaiting approval from the Reserve Bank of India for writing off the investments from the books of the Company. The outstanding amount of investments in these companies have been fully provided for.		
(iii) Refer Note 13.7 of Schedule 18 for details of current investments purchased and sold during the year.		
<b>6. Sundry Debtors</b> (Refer Note 14.1 of Schedule 18) (Unsecured)		
Debts Outstanding for a Period Exceeding Six Months		
- Considered Good	<b>815</b>	1,190
- Considered Doubtful	<b>4,843</b>	3,762
Other Debts		
- Considered Good	<b>8,415</b>	14,326
- Considered Doubtful	<b>177</b>	904
Less: Provision for Doubtful Debts	<b>5,020</b>	4,666
	<b>9,230</b>	15,516
<b>7. Cash and Bank Balances</b>		
Cash on Hand	-	2
Remittances in Transit	<b>1</b>	-
Balances with Scheduled Banks		
- On Deposit Accounts (Refer Note (i) below)	<b>15,083</b>	348
- On Current Accounts (Refer Note (ii) below)	<b>4,407</b>	1,914
- Unclaimed Dividend Accounts	<b>73</b>	80
Balances with Non-Scheduled Banks		
- On Deposit Accounts (Refer Note (i) below)	<b>12</b>	23
- On Current Accounts	<b>2,192</b>	2,642
	<b>21,768</b>	5,009
<b>Note:</b>		
(i) Balances in Deposit Accounts with Banks includes margin money deposits towards obtaining bank guarantees.	<b>292</b>	285
(ii) Includes balance in Escrow Account (Refer Note 6.2 of Schedule 18)	<b>3,274</b>	-
<b>8. Other Current Assets</b>		
Unbilled Revenue (Refer Notes 14.2 and 14.3 of Schedule 18)	<b>4,543</b>	2,910
Interest Accrued on Bank Deposits	<b>413</b>	3
	<b>4,956</b>	2,913



## Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
<b>9. Loans and Advances</b>		
(Unsecured )		
<b>Considered Good</b>		
Advances Recoverable in Cash or in Kind or for Value to be Received (Refer Notes (i) & (ii) below)	1,505	1,847
Deposits	1,826	2,419
Advance taxes paid	146	133
Balances with Government Authorities	368	264
	<u>3,845</u>	<u>4,663</u>
<b>Considered Doubtful</b>		
Advances Recoverable in Cash or in Kind or for Value to be Received	593	565
Deposits	86	83
Others	31	31
	<u>710</u>	<u>679</u>
Less: Provision for Doubtful Loans/Advances	710	679
	<u>-</u>	<u>-</u>
	<u>3,845</u>	<u>4,663</u>
<b>Notes:</b>		
(i) Dues from Satyam Associate Trust (Refer Note 27 of Schedule 18)	32	32
(ii) Dues from Directors of the Company (Refer Note 27 of Schedule 18)		
<b>10. Current Liabilities</b>		
Sundry Creditors		
- Dues to Micro Enterprises and Small Enterprises	10	18
- Dues to Other Than Micro Enterprises and Small Enterprises	6,345	9,915
Advances from Customers	788	592
Unearned Revenue (Refer Note 14.7 of Schedule 18)	737	772
Other Liabilities (Refer Note (i) below)	865	2,515
Investor Education and Protection Fund shall be credited by the following amounts - Unclaimed Dividends	73	80
	<u>8,818</u>	<u>13,892</u>
<b>Notes:</b>		
(i) Includes Mark-to-market losses on forward exchange contracts and other derivative contracts (Refer Note 32 of Schedule 18)	-	1,101
<b>11. Provisions</b>		
Provision for Employee Benefits (Refer Note 25 of Schedule 18)	2,236	2,918
Provision for Warranties (Refer Note 31.1 of Schedule 18)	74	105
Provision for Contingencies (Refer Note 31.2 of Schedule 18)	4,750	4,750
Provision for Impairment Losses in Subsidiaries (Refer Note 22 of Schedule 18)	4,623	2,588
Provision for Taxation (Less Payments)	3,721	4,422
	<u>15,404</u>	<u>14,783</u>

**Schedules forming part of the Consolidated Balance Sheet as at March 31, 2010**

	(Rs. in Million)	
	As at March 31, 2010	As at March 31, 2009
<b>12. Unexplained Differences Suspense Account (Net)</b>		
<i>Forensic Related Amounts</i>		
Opening Balance Differences (Net) as at April 1, 2002 (Refer Note 3.3 (ii) of Schedule 18)	<b>11,221</b>	11,221
Other Differences (Net) between April 1, 2002 and March 31, 2008 (Refer Note 3.3 (ii) of Schedule 18)	<b>166</b>	166
Sub-total	<b>11,387</b>	11,387
Less: Provision (Refer Notes 3.3(ii) and 3.4 of Schedule 18)	<b>11,387</b>	11,387
Other Differences (Net) between April 1, 2008 and December 31, 2008 (Refer Notes 3.3(ii) and 3.4 of Schedule 18)	<b>7</b>	7
Less: Provision (Refer Note 31.3 of Schedule 18)	<b>7</b>	7
<i>Other Amounts</i>		
Other Differences (Net) (Refer Note 9.3 of Schedule 18)	<b>47</b>	27
Less: Provision (Refer Note 31.3 of Schedule 18)	<b>47</b>	27
<b>Total</b>	<b>-</b>	<b>-</b>



## Schedules forming part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2010

	(Rs. in Million)	
	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
<b>13. Income from Operations</b> (Refer Note 14 of Schedule 18)		
Information Technology and Consulting Services		
- Overseas/Exports	51,275	82,490
- Domestic	2,468	3,285
Business Process Outsourcing	966	1,127
Sale of Hardware Equipments and Other Items (Refer Note 14.5 of Schedule 18)		
- Overseas/Exports	101	1,079
- Domestic	-	145
	<b>54,810</b>	<b>88,126</b>
<b>14. Other Income</b>		
Interest on Bank Deposits and Advances	525	23
Provision for Warranties Released (Net) (Refer Note 31.1 of Schedule 18)	31	-
Dividend from Current Investements	9	-
Profit on Sale of Current Investments	223	-
Liabilities / Provisions No Longer Required Written Back (Refer Note 15 of Schedule 18)	-	248
Revenue Grants from Government Authorities (Refer Note 24 of Schedule 18)	71	263
Miscellaneous Income	197	97
	<b>1,056</b>	<b>631</b>
<b>15. Personnel Expenses</b>		
Salaries and Bonus	36,575	54,646
Contribution to Provident and Other Funds	2,867	4,024
Gratuity	64	355
Staff Welfare Expenses	992	1,359
Employee Stock Compensation Expense (Refer Note 10 of Schedule 18)	(181)	628
	<b>40,317</b>	<b>61,012</b>
Less: Reimbursements/Recovery of Expenses from Customers (Refer Note 14.9 of Schedule 18)	25	275
	<b>40,292</b>	<b>60,737</b>
<b>16. Operating and Administration Expenses</b>		
Cost of Hardware Equipment and Other Items Sold (Refer Note (i) below)	30	1,559
Rent	2,062	2,315
Rates and Taxes	146	190
Power and Fuel	500	661
Insurance	163	160
Travelling and Conveyance	1,997	4,788
Communication	713	1,289
Printing and Stationery	23	56
Advertisement	11	59
Marketing Expenses (Refer Note 16 of Schedule 18)	730	1,272
Sub Contracting Costs (Net)	985	3,010
Repairs and Maintenance		
(i) Buildings	11	65
(ii) Machinery	169	565
(iii) Others	576	618

Contd.

**Schedules forming part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2010**

	(Rs. in Million)	
	For the Year Ended March 31, 2010	For the Year Ended March 31, 2009
Software Charges	379	551
Security Services	105	123
Donations and Contributions	-	38
Subscriptions	37	84
Training and Development	44	271
Research and Development	7	10
Visa Charges	243	550
Legal and Professional Charges	1,921	2,652
Directors' Sitting Fees	-	1
Auditors' Remuneration (Refer Note 23 of Schedule 18)	33	82
Managerial Remuneration (Refer Note 27 of Schedule 18)		
(i) Salaries	-	6
(ii) Contribution to Provident and Other Funds	-	1
Tax Deducted at Source Written Off	-	37
Investments Written Off	-	5
Less: Provision released	-	5
	-	-
Loss on Fixed Assets Sold/Written Off (Net)	101	324
Provision for Capital Work in Progress (Refer Note 12.7 of Schedule 18)	-	587
Provision for Doubtful Debts (Refer Note 14.1 of Schedule 18)	354	3,424
Provision for Impairment of Assets	-	3
Provision for Doubtful Advances	31	400
Provision for Unexplained differences (Refer Note 31.3 of Schedule 18)	20	34
Provision for Warranty (Refer 31.1 of Schedule 18)	-	105
Advances Written Off	287	-
Loss on Exchange Fluctuations (Net)		
- On Forward Contracts and other Derivative Contracts (Refer Note 32 of Schedule 18)	-	4,632
- On Others	987	308
Miscellaneous Expenses	149	219
Sub-Total	<u>12,814</u>	<u>31,049</u>
Less: Reimbursements/Recovery of Expenses from Customers (Refer Note 14.9 of Schedule 18)	863	1,654
	<u>11,951</u>	<u>29,395</u>
<b>Notes:</b>		
(i) Cost of Hardware Equipment and Other Items Sold:		
Opening Stock	10	1
Add: Purchases	20	1,568
Less: Closing Stock	-	10
(Refer Notes 14.5 and 14.10 of Schedule 18)	<u>30</u>	<u>1,559</u>
<b>17. Interest and Financing Charges</b>		
Interest on Fixed Term Loans	54	39
Interest on Packing Credit Loans	1	40
Interest on Other Loans	39	158
Bank Charges	54	119
Interest on Working Capital Loan	47	89
Other Financing Charges	134	176
	<u>329</u>	<u>621</u>



## Schedules forming part of the Consolidated Accounts for the Year Ended March 31, 2010

### Schedule 18 - Notes to Accounts

#### 1. Background/details of consolidation

##### 1.1 Background

Satyam Computer Services Limited (hereinafter referred to as 'SCSL' or 'the Company') and its consolidated subsidiaries/joint ventures (together referred to as 'the Group') are engaged in providing information technology services, developing software products, business process outsourcing and consulting services.

SCSL 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 offers a comprehensive range of IT services, including IT enabled services, application development and maintenance, consulting and enterprise business solutions, extended engineering solutions and infrastructure management services. SCSL 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.

Satyam BPO Limited (Satyam BPO), a wholly owned subsidiary of the Company is engaged in providing business process outsourcing services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry specific offerings) services through its Indian operations and through branches in United States of America and Belgium.

##### 1.2 Principles of consolidation

The consolidated financial statements (hereinafter referred to as the financial statements) relate to the Group.

- (i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating material intra-group balances and intra-group transactions resulting in unrealised profits or losses, as per Accounting Standard 21 – Consolidated Financial Statements.
- (ii) The financial statements/reporting packages of the subsidiaries used in the consolidation are drawn up to the same reporting date as that of the Company i.e. March 31. Refer Note 1.3 below.
- (iii) The excess of Cost to the Company of its Investment in the subsidiaries over the Company's portion of the Equity on the acquisition date is recognised in the financial statements as Goodwill and included as part of the fixed assets schedule. The carrying value of Goodwill is tested for impairment as at the end of each reporting period.
- (iv) The excess of the Company's portion of Equity of the subsidiaries on the acquisition date over its cost of investment is treated as Capital Reserve.
- (v) Minority Interest in the Net Assets of the consolidated subsidiaries consists of:
  - a) The amount of equity attributable to the minorities at the date on which the investment in the subsidiaries is made; and
  - b) The minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.
- (vi) Minority Interest's share in the Net Profit/(Loss) for the year of the consolidated subsidiaries is identified and adjusted against the Profit/(Loss) after Tax of the Group.

##### 1.3 Particulars of Consolidation

The list of subsidiaries and the Company's holding therein are as under:

Company	Relationship	Period of Financial Statements/ Reporting package	Country of Incorporation	Proportion of Ownership as at March 31, 2010
Satyam BPO Limited (formerly known as Nipuna Services Ltd)	Subsidiary	March 31	India	100%
Satyam Computer Services (Shanghai) Co. Limited	Subsidiary	March 31	China	100%
Satyam Computer Services (Nanjing) Co. Limited	Subsidiary	March 31	China	100%
Nitor Global Solutions Limited	Subsidiary	March 31	United Kingdom	100%
Satyam Computer Services (Egypt) S.A.E	Subsidiary	March 31	Egypt	100%
Citisoft Plc	Subsidiary	March 31	United Kingdom	100%
Citisoft Inc	Subsidiary of Citisoft Plc	March 31	United States of America	100%
Knowledge Dynamics Pte Ltd (KDPL)	Subsidiary	March 31	Singapore	100%
Knowledge Dynamics Pvt Ltd	Subsidiary of KDPL	March 31	India	99.99%

Contd.

<b>Company</b>	<b>Relationship</b>	<b>Period of Financial Statements/ Reporting package</b>	<b>Country of Incorporation</b>	<b>Proportion of Ownership as at March 31, 2010</b>
Satyam Technologies Inc	Subsidiary	March 31	United States of America	100%
Bridge Strategy Group LLC (Bridge Strategy)	Subsidiary	March 31	United States of America	100%
Satyam Computer Services Belgium, BVBA (Satyam Belgium)	Subsidiary	March 31	Belgium	100%
S&V Management Consultants NV (S&V)	Subsidiary of Satyam Belgium	March 31	Belgium	100%
Satyam Venture Engineering Services Private Limited (SVES)	Subsidiary (Refer Note (i) below)	March 31	India	50%
C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) (CA Satyam)	Subsidiary (Refer Note (ii) below)	March 31	India	100%

**Notes:**

- (i) As stated in Note 6.11 of Schedule 18, the Company has, based on legal advice, treated its investment in SVES as investments in subsidiary only with effect from June 26, 2008, being the date of appointment of nominee directors of the Company in the Board of SVES. Accordingly, during the previous year ended March 31, 2009, the figures used for consolidation for the respective periods as joint venture and subsidiary were pro-rated based on the audited financial statements of SVES for the year.
- (ii) CA Satyam ceased to be a joint venture from September 26, 2008, consequent to the acquisition of the balance 50% equity held earlier by CA Inc in CA Satyam, subsequent to which it became a wholly owned subsidiary of the Company. Accordingly, during the previous year ended March 31, 2009, the figures used for consolidation for the respective periods as joint venture and subsidiary were pro-rated based on the audited financial statements of CA Satyam for the year.
- (iii) There are no new subsidiaries acquired during the year ended March 31, 2010. The contribution of the subsidiaries (including indirect subsidiaries) formed or acquired during the previous year ended March 31, 2009 is as under:

<b>Name of the Subsidiary</b>	<b>(Rs. in Million)</b>		
	<b>Revenue (post acquisition)</b>	<b>Net profit/loss (post acquisition)</b>	<b>Net Assets as at March 31, 2009</b>
Bridge Strategy Group LLC	1,151	55	116
Satyam Computer Services Belgium, BVBA	-	14	758
S&V Management Consultants NV (S&V)	364	70	134

- (iv) The Company during the previous year ended March 31, 2009 incorporated subsidiaries in Mexico (Satyam Computer Services De Mexico S.DE R.L.DE C.V) and Brazil (Satyam Servicos De Informatica LTDA). However, no investments have been made by the Company in these subsidiaries as at March 31, 2010. Further, there were no operations in these subsidiaries either during the previous year or in the current year. Hence, these have not been considered for the purpose of consolidation.
- (v) Satyam Foundation Trust and Satyam Associate Trust, though controlled by the Company, are not considered for the purpose of consolidation since, in the opinion of the Management, the objective of control over such entities is not to obtain economic benefits from their activities.
- (vi) The below mentioned subsidiaries are liquidated/dissolved as per the laws of the respective countries. The Company is awaiting approval from the Reserve Bank of India for writing off the investments from the Company's books of account. These subsidiaries have not been considered for the purpose of consolidation since, the entities do not exist/there are no operations during the year.

**Name of the Subsidiary**

Satyam (Europe) Limited  
Vision Compass Inc.  
Satyam IdeaEdge Technologies Private Limited

- (vii) Knowledge Dynamics USA Inc. was dissolved w.e.f. October 1, 2008 and ceased to be a subsidiary of KDPL thereafter.





## **2. Significant accounting policies**

### **2.1 Basis of preparation of financial statements**

The financial statements are prepared in accordance with the generally accepted accounting principles in India (GAAP) under the historical cost convention. GAAP includes mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended) / issued by the Institute of Chartered Accountants of India ('ICAI') and the relevant provisions of the Companies Act, 1956 ('the Act').

Accounting policies have been consistently applied except in cases where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in accounting policy hitherto in use. Where a change in accounting policy is necessitated due to changed circumstances, detailed disclosures to that effect along with the impact of such change is duly disclosed in the financial statements.

### **2.2 Use of estimates**

The preparation of the financial statements in conformity with GAAP in India requires the Management to make 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 income and expenses during the reporting period like useful lives of fixed assets, provision for doubtful debts/advances, provision for diminution in value of investments, provision for employee benefits, future contracts costs expected to be incurred to complete the projects, provision for anticipated losses on contracts, provision for warranties/discounts, allowances for certain uncertainties, provision for taxation, provision for contingencies, provision for impairment losses in subsidiaries, etc. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the financial statements.

### **2.3 Inventories**

Inventories comprising of traded hardware equipments and other items are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis. Cost includes material cost, freight and other incidental expenses incurred in bringing the inventory to the present location/condition.

In one of the subsidiaries, inventory of consumables is valued at lower of cost and net realisable value. The cost is determined on first in first out method.

### **2.4 Cash and cash equivalents**

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with banks with an original maturity of three months or less.

### **2.5 Cash flow statement**

Cash flows are reported using the indirect method, whereby profit/ (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

### **2.6 Revenue recognition**

#### *Income from operations*

Revenue from services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognised as and when the services are rendered and related costs are incurred and when there is no uncertainty in realising the same.

Revenue from fixed price, fixed time frame contracts are recognised using the percentage of completion method of accounting. The percentage of completion is determined by relating the actual project cost of work performed to date to the estimated total project cost for each contract. Total contract cost is determined based on technical and other assessment of cost to be incurred. 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 contracts are made during the period in which a loss becomes probable and can be reasonably estimated.

Liquidated damages and penalties are accounted as per the contract terms wherever there is a delayed delivery attributable to the Company and when there is a reasonable certainty with which the same can be estimated.

Revenues from the sale of hardware equipments and other items are recognised upon delivery/deemed delivery, which is when title passes to the customer.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenue is net of volume discounts/price incentives which are estimated and accounted for based on the terms of the contracts and also net of applicable indirect taxes.

Amounts received or billed in advance of services performed are recorded as advances from customers/ unearned revenue.

Unbilled revenue represents amounts recognised based on services performed in advance of billing in accordance with contract terms and is net of estimated allowance for uncertainties and provisions for estimated losses.

Revenue recognition is based on the terms and conditions as per the contracts entered into with the customers. In respect of expired contracts under renewal or where there are no contracts available, revenue is recognised based on the erstwhile contract/provisionally agreed terms and/ or understanding with the customers.

In Satyam BPO, revenue from engagement services is recognised based on the number of engagements performed. Revenues from time period services are recognised 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.

*Interest income*

Interest income is recognised using the time proportion method, based on the transactional interest rates.

*Dividend income*

Dividend income is recognised when the right to receive dividend is established.

**2.7 Post-sales client support and warranties**

Post-sales client support and warranty costs are estimated by the Management on the basis of technical evaluation and past experience of costs. Provision is made for the estimated liability in respect of warranty costs in the year of recognition of revenue and is included in the Profit and Loss account. The estimates used for accounting for warranty costs are reviewed periodically and revisions are made as and when required.

**2.8 Fixed assets**

Fixed assets are stated at actual cost less accumulated depreciation and net of impairment. The actual cost capitalised includes material cost, freight, installation cost, duties and taxes, eligible borrowing costs 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 Act. Depreciation is charged on a pro-rata basis from the date of capitalisation. Individual assets costing Rs. 5,000 or less are fully depreciated in the year of acquisition.

The estimated useful lives are as follows:

Leasehold Land	Over the lease period of 30 to 99 years
Buildings	28 years
Plant and Machinery	
- Computers	2 to 5 years
- Taken on Finance Lease	Lower of 5 years and lease period
- Others	5 years
Furniture, Fixtures and Interiors	
- Taken on Finance Lease	Lower of 5 years and lease period
- Improvements to Leasehold Premises	Over the primary lease period
- Own Premises	3 to 20 years
Office Equipments	3 to 20 years
Vehicles	3 to 5 Years

Depreciation is accelerated on fixed assets, based on their condition, usability etc, as per the technical estimates of the Management, where necessary.

The cost 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.

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.

*Intangible assets*

Intangible assets, including computer software, are recorded at the consideration paid for acquisition of such assets and are carried at cost less accumulated amortisation and impairment. Intangible assets are amortised over their respective individual estimated useful lives (generally one to three years) on a straight line basis or over the license period (where applicable), whichever is lower.

In one of the subsidiaries, cost of application software for internal use, the estimated useful life of which is relatively short and unusually less than one year are generally charged to revenue as and when incurred.

**2.9 Foreign currency transactions/translations**

Transactions in foreign currency are recorded at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the Balance Sheet date and the resultant gain or loss is recognised in the Profit and Loss account. Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

Gains or losses realized upon settlement of foreign currency transactions are recognised in the Profit and Loss account.

The operations of foreign branches of the Company are integral in nature and the financial statements of these branches are translated using the same principles and procedures as those of the head office.



For the purpose of consolidation of subsidiaries situated in foreign countries, other than those whose operations are integral in nature (which are translated using the same principles and procedures as those of the Company), income and expenses are translated at average exchange rates and the assets and liabilities are stated at closing exchange rates. The net impact of such change is accumulated under foreign currency translation reserve under Reserves and surplus. On the disposal of a non-integral subsidiary, the cumulative amount of the exchange differences which have been deferred and which relate to that subsidiary are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised. When there is a change in the classification of a subsidiary, the translation procedures applicable to the revised classification are applied from the date of change in the classification.

The Company enters into forward exchange contracts and other instruments that are in substance a forward exchange contract to hedge its risks associated with foreign currency fluctuations. The premium or discount arising at the inception of a forward exchange contract (other than for a firm commitment or a highly probable forecast) or similar instrument is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the Profit and Loss account in the year in which the exchange rates change. Any profit or loss arising on cancellation of such a contract is recognised as income or expense for the year.

The Company uses forward/option contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of forward contracts is governed by the Company's policies on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Forward contracts in the nature of derivatives are marked to market, wherever required, as at the Balance Sheet date and provision for losses, if any, is dealt with in the Profit and Loss account. Unrealised gains, if any, on such derivatives are not recognised in the Profit and Loss account.

## **2.10 Government grants**

Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of the assets. The grant is recognised as income over the life of the depreciable asset by way of reduced depreciation charge. Grants in the nature of capital subsidy are treated as capital reserve based on receipt/eligibility.

Grants related to revenue are accounted for as other income in the period in which the related costs which they intend to compensate are accounted for to the extent there is no uncertainty in receiving the same. Incentives which are in the nature of subsidies given by the Government which are based on the performance of the Company are recognised in the year of performance/eligibility in accordance with the related scheme.

Government grants in the form of non monetary assets, given at a concessional rate are accounted for at their acquisition cost.

## **2.11 Investments**

Investments are classified into current investments and long-term investments based on their nature/holding period/Management's intent etc at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost less provision made to recognise any decline, other than temporary, in the value of such investments. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the Profit and Loss account.

## **2.12 Employee benefits**

### *Defined contribution plans*

In the case of the Company and subsidiaries situated in India, contributions payable to the recognised provident fund and pension fund maintained with the Central Government and superannuation fund, which are defined contribution schemes, are charged to the Profit and Loss account on accrual basis. The Company has/ subsidiaries have no further obligations for future provident fund and superannuation fund benefits other than its annual contributions.

### *Defined benefit plans*

The Company and the subsidiaries situated in India accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year using the Projected Unit Credit Method. Actuarial gains and losses are charged to the Profit and Loss account in the period in which they incur. Obligation under the defined benefit plan is measured at the present value of the estimated future cash flow using a discount rate that is determined by reference to the prevailing market yields at the Balance Sheet date on Indian Government Bonds where the currency and terms of the Indian Government Bonds are consistent with the currency and estimated term of the defined benefit obligation.

### *Compensated absences*

The Company and the subsidiaries situated in India accounts for liability towards compensated absences in accordance with Accounting Standard 15 on Employee Benefits. The Company accounts its liability based on actuarial valuation done as at the Balance Sheet date by an independent actuary using the Projected Unit Credit Method. The liability includes long term component accounted on a discounted basis and the short term component which is accounted for on an undiscounted basis.

### *Other short term employee benefits*

Other short-term employee benefits including overseas social security contributions and performance incentives expected to be paid in exchange for the services rendered by employees, is recognised during the period when the employee renders the service.

In respect of the two Chinese subsidiaries, the full-time employees of the Company are entitled to staff welfare benefits under existing PRC legislation, including pension benefits, medical care, unemployment insurance, housing fund and other benefits.

According to the relevant regulations, premium and welfare benefit contributions are remitted to the social welfare authorities and are accrued based on certain percentages of the total salary of employees subject to a certain ceilings, and are paid to the human resource and social security bodies. The contributions are expensed as incurred.

### **2.13 Associates stock options scheme**

Stock options granted to the associates (employees) are accounted as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 ('ESOP Guidelines') issued by Securities and Exchange Board of India ('SEBI') and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Group measures compensation cost relating to employee stock options using the intrinsic value method. The compensation cost, if any, is amortised over the vesting period of the option.

### **2.14 Borrowing costs**

Borrowing costs directly attributable to acquisition or construction of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use, are capitalised. Other borrowing costs are recognised as expense in the Profit and Loss account.

### **2.15 Leases**

Assets taken on lease by the Group in the capacity of a lessee, where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the Profit and Loss account on a straight line basis.

### **2.16 Earnings per share**

Basic earnings per share is computed by dividing the profit/ (loss) after tax (including the post tax effect of extra ordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit/ (loss) after tax (including the post tax effect of any extra ordinary items, if any) by the weighted average equity shares considered for deriving basic earnings per share 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, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented.

The number of equity shares and potentially dilutive equity shares are adjusted for share splits/reverse share splits and bonus shares, as appropriate.

### **2.17 Taxes on income**

The current income tax charge is determined in accordance with the relevant tax regulations applicable to the Group. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled. Deferred tax charge or credits are recognised for the future tax consequences attributable to timing difference that result between the profit/(loss) offered for income taxes and the profit as per the financial statements.

Deferred tax in respect of timing difference which originate during the tax holiday period but reverse after the tax holiday period is recognised in the year in which the timing difference originate. For this purpose the timing differences which originate first are considered to reverse first. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, when there is a brought forward loss or unabsorbed depreciation under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realised.

The Company offsets, on a year on year basis, the current tax assets and liabilities, where it has a legally enforceable right and intends to settle such assets and liabilities on a net basis.

The Company offsets deferred tax assets and deferred tax liabilities if it has a legally enforceable right and these relate to taxes on income levied by the same governing tax laws.

#### *MAT credit*

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset, in accordance with the provisions contained in the Guidance Note on Accounting for Credit Available under Minimum Alternative Tax, issued by the ICAI, the said asset is created by way of a credit to the Profit and Loss account and shown as "MAT Credit Entitlement". The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.



#### *Fringe benefit tax*

In accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI, the Company has made provision for FBT under income taxes.

The Finance Act, 2007 introduced FBT on employee stock options. The Company recovers such FBT from the employees, upon the exercise of the stock options. The estimated FBT liability and related recovery is recorded at the time of exercise of options in the Profit and Loss account.

Also refer Note 8.1(viii) of Schedule 18 with respect to change in accounting for FBT on employee stock options.

#### **2.18 Research and development**

Research costs are expensed as incurred. Development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use the asset and the costs can be measured reliably.

#### **2.19 Impairment**

The Group assesses at each Balance Sheet date whether there is any indication that an asset (including goodwill) may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

#### **2.20 Provisions and contingent liabilities**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

#### **2.21 Insurance claims**

Insurance claims are accounted for on the basis of claims admitted/expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

#### **2.22 Service tax input credit**

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing/utilising the credits.

### **3. Financial irregularities**

#### **3.1 Overview**

During the previous year ended March 31, 2009, in a communication ('the letter') dated January 7, 2009, addressed to the then existing Board of Directors of the Company and copied to the stock exchanges and the Chairman of SEBI, the then Chairman of the Company, Mr. B. Ramalinga Raju ('the erstwhile Chairman') admitted that the Company's Balance Sheet as at September 30, 2008 carried an inflated cash and bank balances, non-existent accrued interest, an understated liability and an overstated debtors position. As per the letter, the gap in the Company's Balance Sheet had arisen purely on account of inflated profits over a period of last several years (limited only to Satyam standalone).

In the events following the letter of the erstwhile Chairman, the Honourable Company Law Board ('Honourable CLB') passed orders to suspend the then-existing Board of Directors of the Company with immediate effect and authorised the Central Government to nominate directors on the Company's Board. Pursuant to the above orders, the Ministry of Corporate Affairs ('MCA') - Government of India ('GOI'), nominated 6 directors on the Board of the Company.

Vide a letter dated January 13, 2009, the erstwhile auditors of the Company, M/s Price Waterhouse, Chartered Accountants, communicated to the Board of Directors of the Company, that their audit reports issued on the financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon.

The Government nominated Board of Directors appointed an independent counsel ('Counsel') to conduct an investigation of the financial irregularities that would enable preparation of the financial statements of the Company. Counsel appointed forensic accountants to assist in the investigation (referred to as 'forensic investigation') and preparation of the financial statements.

The sub-paragraphs below detail the findings, effects and other matters relating to the financial irregularities of the earlier management headed by the erstwhile Chairman ('erstwhile management').

### 3.2 Limitations

The scope of the forensic investigation required investigating the accounting records of the Company to identify the extent of financial irregularities. There could be other instances of possible diversion that remain undetected. The following were the significant limitations in the forensic investigation, as stated in the report of the forensic accountants who carried out the forensic investigation, which would impact identifying the full extent of the financial irregularities:

- (i) Certain documents and information were either unavailable or could not be located. There was evidence suggesting that information might have been deleted or destroyed during the period leading to the date of the letter. Further, several documents are in the possession of Government agencies and were not freely accessible for the purpose of the forensic investigation. Limited and controlled access was granted only at a developed stage of the forensic investigation.
- (ii) Lack of access to key former employees and the previous auditors of the Company including those arrested by the law enforcement agencies or the information stored on their computer hard drives/other records found to be in their possession. The computer records of the erstwhile Chairman, the Managing Director and the Chief Financial Officer of the Company were also unavailable.
- (iii) As both the erstwhile Chairman and Managing Director were authorised to open bank accounts and had sole signatory powers on most bank accounts of the Company, it is possible that there are undisclosed bank accounts in which funds could have been diverted. The forensic investigation identified five bank accounts whose existence could not be confirmed by the Management.
- (iv) Company employees could have been deployed on projects that were billed outside the accounting system of the Company. Collections could have been diverted from customers on these projects to bank accounts outside the knowledge of the Company.
- (v) Discharged cheques were not available in all instances and, hence, the forensic investigation was not able to verify that beneficiary information in the Company's records accorded with that on the cheque instruments.

### 3.3 Nature of financial irregularities

The forensic investigation conducted by forensic accountants focused on the period from April 1, 2002 to September 30, 2008, being the last date upto which the Company published its financial results. In certain instances, the forensic accountants conducted investigation procedures outside this period. The forensic investigation revealed that the Company had a complex accounting and financial reporting framework, which coupled with multiple non-integrated financial systems enabled perpetration of financial irregularities. The irregularities were substantial in amount, perpetrated across multiple accounting periods and affecting many areas including *inter alia* revenue, foreign exchange gains, interest, and other expenses with respect to the Profit and Loss account. It also affected debtors, cash and bank, other current assets and reserves and surplus with respect to the Balance Sheet.

#### (i) Specific financial irregularities as identified

The nature of specific financial irregularities can be classified into two categories:

- *Fictitious entries entered in the accounting records of the Company:* These primarily involved recognition of fictitious revenue and interest income, which ultimately resulted in creation of fictitious cash and bank balances and receivables.
- *Unrecorded transactions:* A number of real transactions (movements into and out of the bank accounts) were omitted from the accounting records of the Company.

The overall impact of fictitious entries and unrecorded transactions arising out of the forensic investigation, to the extent determined is set out as under:

	Reference	(Rs. in Million) Amount
<b>Transactions impacting the Profit and Loss account during the period from April 1, 2002 to September 30, 2008*</b>		
<i>Fictitious entries entered in the accounting records of the Company affecting</i>		
Revenue	a	53,528
Interest income	b	8,998
Exchange gain (net)	c	2,061
Salary costs	d	(2,071)
Others	e	(179)
<i>Unrecorded transactions affecting</i>		
Interest on bank borrowings	f	175
Salary costs	d	5,004
Others	e	115
<b>Total</b>		<b>67,631</b>



		(Rs. in Million)
	Reference	Amount
<b>Transactions impacting the Balance Sheet only**</b>		
<i>Fictitious entries entered in the accounting records of the Company affecting</i>		
Advance tax payments	g	3,061
<i>Unrecorded transactions affecting</i>		
Advance tax payments(net)	g	(498)
Bank borrowings	f	1,392
		<b>3,955</b>
<b>Overall impact on the balance sheet as at September 30, 2008 on account of the above items</b>		
Cash and bank	a to g	52,947
Debtors	a, c	5,010
Accrued interest	b	3,757
Withholding taxes	b	1,970
Advance tax payments	g, c	2,557
Bank borrowings	f	1,392
Other liabilities	a	(2)
<b>Total</b>		<b>67,631</b>

\*Positive amount reflects fictitious income / unrecorded payments while negative amount reflects fictitious outflow / unrecorded receipts.

\*\* Positive amount reflects overstatement of assets/understatement of liability and vice versa on account of fictitious and unrecorded transactions.

- a) **Revenue:** The fictitious revenue was recorded by creation of false invoices by circumventing the normal revenue recognition cycle. The transactions were recorded using the financial systems in a manner that allowed camouflaging the irregularity. After creating the fictitious revenue, fictitious cash collections were shown as collections from customers. In order to substantiate these fictitious collections, forged bank statements and fixed deposit receipts were also prepared. Fictitious revenue aggregating Rs. 53,528 Million was recorded over the period from April 1, 2002 to September 30, 2008 of which Rs. 48,702 Million was translated into fictitious cash and bank balances. The difference amounting to Rs 4,826 Million comprises of Rs. 4,828 Million of debtors, net of other liabilities of Rs. 2 Million. In addition there was fictitious unrealised exchange gain of Rs 182 Million on fictitious debtors which was recognised, resulting in total fictitious debtors of Rs 5,010 Million.
- b) **Interest income:** Fictitious interest income was recorded in respect of fictitious fixed deposit balances. Total fictitious interest income aggregating to Rs. 8,998 Million was recognised over the period from April 1, 2002 to September 30, 2008. Of the above fictitious interest recognised, Rs. 3,271 Million was translated into fictitious cash and Rs. 1,970 Million was fictitiously recorded as withholding tax on such interest income. The difference amounting to Rs. 3,757 Million was reflected as accrued interest as at September 30, 2008. In addition an amount of Rs. 324 Million was accounted as interest accrued for the period from October 1, 2008 to December 31, 2008.
- c) **Exchange gain (net):** Fictitious exchange gain (net) amounting to Rs. 2,061 Million was recognised over the period from April 1, 2002 to September 30, 2008 primarily by restatement of fictitious cash and bank balances, fictitious inter-bank transfers and collections. The above fictitious exchange gain (net of exchange losses) resulted in increasing fictitious debtors by Rs. 182 Million, cash and bank balances by Rs. 1,885 Million and decrease in advance taxes by Rs. 6 Million.
- d) **Salary costs:** Net salary costs aggregating to Rs. 2,933 Million were not recorded in the books of account resulting in fictitious cash and bank balances of Rs. 2,933 Million.
- e) **Others:** Others (net expense) aggregating to Rs. 64 Million was on account of fictitious interest in relation to fictitious and unrecorded tax payments/refund identified (refer note (g) below). The same resulted in understatement of cash and bank balances by Rs. 64 Million.
- f) **Bank borrowings (including interest thereon):** There were unrecorded bank loans taken over the period from April 1, 2002 to September 30, 2008 aggregating Rs. 7,201 Million. The Company had effected unrecorded repayments to the extent of Rs. 5,809 Million. The outstanding balance of Rs. 1,392 Million as at September 30, 2008 was repaid in December 2008. Unrecorded interest expenses in respect of such loans amounted to Rs. 175 Million resulting in fictitious cash and bank balances.
- g) **Tax payments:** There were certain fictitious tax payments (Advance tax and US federal tax), which were recorded in the books of account aggregating Rs. 3,061 Million. Further, there were genuine tax payments/ refunds (net), unrecorded to the extent of Rs. 498 Million. The Management has evaluated the unrecorded tax payments in the overall context of tax related matters. Refer Note 6.6 of Schedule 18.



(ii) *Financial irregularities where complete information was not available*

These transactions were either improperly recorded in the accounting records or remained unrecorded. In addition, since the forensic investigation focused on the period from April 1, 2002 onwards, there were fictitious balances (cash and bank and debtors) and unrecorded liabilities where details remain unavailable.

The details of such items are given below:

- a) The forensic investigation identified fictitious cash and bank balances (Rs. 9,964 Million), debtor balances (Rs. 557 Million) and unrecorded loans (Rs. 700 Million) originating in periods prior to April 1, 2002 aggregates Rs. 11,221 Million (net debit) which resulted in a net opening balance difference of Rs. 11,221 Million as at April 1, 2002. In the absence of complete information, the amount aggregating Rs. 11,221 Million have been accounted under "Unexplained Differences Suspense Account (Net)" in the Balance Sheet (Refer Schedule 12).
- b) The forensic investigation also identified certain transactions aggregating Rs. 166 Million (net debit) (comprising of Rs. 2,444 Million of gross debits and Rs. 2,278 Million of gross credits) during the period from April 1, 2002 to March 31, 2008 and Rs. 7 Million (net debit) (comprising of Rs. 12 Million of gross debits and Rs. 5 Million of gross credits) during the period from April 1, 2008 to December 31, 2008 which remain unidentified primarily due to lack of substantive documents. Accordingly, the amounts of Rs. 166 Million and Rs. 7 Million have been accounted under "Unexplained Differences Suspense Account (Net)" in the Balance Sheet (Refer Schedule 12).

During the previous year ended March 31, 2009, the Company, on grounds of prudence, made a provision for the opening balance differences (net) of Rs. 11,221 Million as at April 1, 2002 and other differences (net) of Rs. 166 Million pertaining to the period from April 1, 2002 to March 31, 2008 and classified them as Prior Period Adjustments in the Profit and Loss account (Refer Note 3.4 (ii) of Schedule 18). It also made a provision for the other differences (net) of Rs. 7 Million relating to the period from April 1, 2008 to December 31, 2008 and classified them under Provision for Unexplained Differences (Refer Note 31.3 of Schedule 18).

- c) The forensic investigation has so far been unable to identify the nature of certain alleged transactions aggregating Rs. 12,304 Million (net receipt) against which the Company has received legal notices from 37 companies claiming repayment of this amount which was allegedly given as temporary advances. (Refer Note 6.1 of Schedule 18 for details).

(iii) *Prior period errors*

Certain additional adjustments in the nature of errors relating to the periods prior to April 1, 2008 were recorded in the financial statements for the previous year ended March 31, 2009 as prior period adjustments by the Management to the extent identified.

The key areas of prior period errors impacting the Profit and Loss account are set out as under:

		<i>(Rs. in Million)</i>
<b>S. No.</b>	<b>Particulars</b>	<b>Amount [Debit/(Credits)]</b>
(i)	Adjustment to revenue on account of unbilled revenue, unearned revenue and credit notes (Refer Notes 14.3, 14.7 and 14.8 of Schedule 18)	(1,608)
(ii)	Timing of asset capitalization and resultant impact on depreciation (Refer Note 12.1 of Schedule 18)	678
(iii)	ASOP costs (Refer Note 10.1 of Schedule 18)	186
(iv)	Marketing Expenses (Refer Note 16 of Schedule 18)	143
(v)	Others	(195)
	<b>Total</b>	<b>(796)</b>

Also refer Note 8.1(viii) of Schedule 18 in respect of accounting for FBT as ASOPs. Note 12.7 of Schedule 18 regarding accounting for ERP Software and Note 13.3 of Schedule 18 on accounting for Citisoft investment identified during the previous year ended March 31, 2009.



### 3.4 Accounting for financial irregularities and prior period errors

- (i) The overall impact of the financial irregularities detailed in Note 3.3 of Schedule 18 above are summarised as under:

<i>(Rs. in Million)</i>			
<b>Particulars</b>	<b>Relating upto April 1, 2008</b> (Refer Note 3.4(ii) of Schedule 18)	<b>Relating to period subsequent to April 1, 2008</b> (Refer Note 3.4(iii) of Schedule 18)	<b>Total</b>
<b>Specific Financial Irregularities as identified</b>			
Revenue	41,760	11,768	53,528
Interest income (including Rs 324 Million referred to in Note 3.3(i)(b) of Schedule –(18)	7,657	1,665	9,322
Exchange (loss)/gain	(684)	2,745	2,061
Interest on bank borrowings	174	1	175
Net salary costs	2,933	-	2,933
Others	(3)	(61)	(64)
<i>Sub-total (A)</i>	<u>51,837</u>	<u>16,118</u>	<u>67,955*</u>
<b>Financial Irregularities where complete information was not available</b>			
Opening balance differences (net) as at April 1, 2002	11,221	-	11,221
Other differences (net) subsequent to April 1, 2002	166	7	173
<i>Sub-total (B)</i>	<u>11,387</u>	<u>7</u>	<u>11,394**</u>
<i>Total Financial Irregularities –(A+B)</i>	<u>63,224</u>	<u>16,125</u>	<u>79,349</u>
<i>Prior period errors (C)</i>	<u>(796)</u>	<u>-</u>	<u>(796)***</u>
<b>Total (A+B+C)</b>	<u><b>62,428</b></u>	<u><b>16,125</b></u>	<u><b>78,553</b></u>

\* Rs. 67,631 Million (Refer Note 3.3(i) of Schedule 18) plus Rs. 324 Million (Refer Note 3.3(i)(b) of Schedule 18).

\*\* Refer Note 3.3(ii) of Schedule 18.

\*\*\*Refer Note 3.3(iii) of Schedule 18.

- (ii) Adjustments pertaining to the period upto April 1, 2008 (prior period adjustments):

As stated in Note 3.3 of Schedule 18, several adjustments resulting from financial irregularities and errors, relate to periods prior to April 1, 2008 were identified during the previous year ended March 31, 2009. The Company recorded these adjustments amounting to Rs. 62,428 Million in the Profit and Loss account as prior period adjustments in the financial statements for the previous year ended March 31, 2009. This disclosure is pursuant to the order dated October 16, 2009 of the Honourable CLB, and is also in accordance with Accounting Standard 5 - "Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies".

- (iii) Adjustments pertaining to the period subsequent to April 1, 2008:

The adjustments resulting from financial irregularities relating to the period subsequent to April 1, 2008 aggregating to Rs. 16,125 Million were adjusted to the specific captions in the Profit and Loss account of the previous year ended March 31, 2009.

### 3.5 Investigation by authorities in India

Pursuant to the events stated in Note 3.1 of Schedule 18, various regulators/investigating agencies such as the Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO)/Registrar of Companies (ROC), SEBI, Directorate of Enforcement (ED), etc., initiated their investigation on various matters pertaining to the Company during the previous year ended March 31, 2009 which are ongoing.

The CBI initiated legal proceedings before the Additional Chief Metropolitan Magistrate for Trial of Satyam Scam Cases, Hyderabad and filed certain specific charge sheets against the erstwhile Chairman and others based on its findings so far.

The SFIO has submitted its reports relating to various findings and has also commenced prosecution against the Company for two alleged violations before the Economic Offenses Court, Hyderabad against the Company and others. The Company has filed a compounding application with respect to the alleged violations.

### 3.6 Investigation on Round Tripping

The investigating agencies in India and the Securities and Exchange Commission (SEC) of the United States of America (USA), are currently investigating matters such as round tripping pertaining to periods prior to April 1, 2002. While no specific information was available with respect to outflow of funds, information received from investigative agencies revealed that out of 29 inward remittances from an entity registered in a tax haven aggregating USD 28.41 Million, it is possible that 20 of these inward remittances aggregating USD 17.04 Million may have been used to set off outstanding invoices.

Also refer Note 3.3(ii) of Schedule 18 above.

### 3.7 Other matters

#### (i) Suspension/ termination of erstwhile management

Subsequent to the January 7, 2009 letter of the erstwhile Chairman, the Honourable CLB vide its order dated January 9, 2009 suspended the erstwhile Board of Directors including the erstwhile Chairman, Mr. B. Ramalinga Raju, and the former Managing Director, Mr. B. Rama Raju, with immediate effect. Further, the Company terminated the former Chief Finance Officer, Mr. Srinivas Vadlamani, with effect from January 8, 2009.

During the current year, the Company also terminated, the former Vice President, Mr. G. Ramakrishna, the former Global Head of Internal Audit, Mr. V.S.P. Gupta, the former Assistant Manager (Finance), Mr. C H Srisailam, and the former Senior Manager (Finance), Mr. D. Venkatapathi Raju.

The CBI filed chargesheets accusing the above former directors and employees of cheating, forgery of accounts, forgery for the purpose of cheating, using forged documents as genuine, falsification of accounts and criminal conspiracy punishable under the Indian Penal Code. The trial is ongoing before the ACMM.

The Company also suspected an ex-employee of the Company for diverting the Company's resources through sub-contracting entities controlled by him. As the suspected diversion related to the period when the erstwhile Management was in the control of the Company, the same was brought to the immediate notice of the CBI by the Company for appropriate action.

#### (ii) Non-reliance on audit report issued by Price Waterhouse

The Company had appointed M/s Price Waterhouse, Chartered Accountants ('PW' or 'the previous auditors') as the statutory auditors of the Company with effect from May 26, 2000. The previous auditors conducted the audit of the Company from the quarter ended June 30, 2000 to the quarter ended September 30, 2008 ('audit period'). After the letter of the erstwhile Chairman, the previous auditors vide their letter dated January 13, 2009 stated that their audit reports and opinions in relation to the financial statements for the audit period can no longer be relied upon.

The CBI has filed a chargesheet against Mr. S.Gopala Krishnan and Mr. Talluri Srinivas, partners of PW, for committing offense of cheating, forgery, using forged documents as genuine, criminal conspiracy and falsification of accounts, fabrication of documents, among other offences punishable under law. The trial is ongoing before the ACMM.

#### (iii) Possible diversion of funds for American Depository Share (ADS) proceeds

The forensic investigation has indicated possible diversion aggregating USD 41 Million so far from the proceeds of the ADS which were listed with the New York Stock Exchange in May 2001. The forensic investigation revealed that there were three areas of payments from the ADS proceeds where possibility of diversion cannot be excluded. These are set out below:

Description	USD Million
Payments to banks	22
Payments to other entities	9
Cash outflows for which beneficiary details are unknown	10
<b>Total</b>	<b>41</b>

The Forensic investigators have not come across evidence suggesting that the fraud as identified in this report, extended to the company's subsidiaries & its joint venture.

### 3.8 Documents seized by CBI/other authorities

Pursuant to the investigations conducted by CBI/other authorities, most of the relevant documents in possession of the Company were seized by the CBI. On a petition filed by the Company, the ACMM, vide its order dated April 23, 2010, had granted partial access to the Company including for taking photo copies of the relevant documents as may be required in the presence of the CBI officials. Further, there were also certain documents which were seized by other authorities such as the Income Tax Authorities, of which the Company could only obtain photo copies.

### 3.9 Management's assessment of the identified financial irregularities

As per the assessment of the Management, based on the forensic investigation carried out through an independent counsel/forensic accountants (Refer Note 3.1 of Schedule 18) and the information available at this stage, all identified/required adjustments/disclosures arising from the identified financial irregularities, were made in the financial statements of the Company for the previous year ended March 31, 2009. (Refer Note 3.4 of Schedule 18).

Since several matters relating to the financial irregularities are *sub judice* and the various investigations are ongoing, any further adjustments/disclosures, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties are known and the consequential adjustments/disclosures are identified.



#### 4. Honourable CLB orders

During the previous year ended March 31, 2009, subsequent to the letter by the erstwhile Chairman of the Company (as referred to in Note 3 of Schedule 18 ) the Union of India filed a petition before the Honourable CLB invoking the provisions of Sections -388B, 397, 398, 401 to 408 of the Act, pursuant to which the Honourable CLB has, vide its powers conferred under Section 388C read with Section 388B and also under Section 403 read with Sections 397/398 of the Act, passed various orders relating to the affairs of the Company which are summarised below:

- On January 9, 2009, the Honourable CLB suspended the then existing Board of Directors of the Company and authorised the Government of India ('Central Government') for the constitution of not more than 10 persons of eminence as directors.
- The Central Government vide order dated January 29, 2009 appointed 6 eminent persons as directors of the Company.
- On February 19, 2009, the Honourable CLB authorised the Board of Directors nominated by the Central Government to induct strategic investors in the Company.
- On February 19, 2009, the Honourable CLB authorised the increase in the authorised share capital of the Company from Rs. 1,600 Million to Rs. 2,800 Million.
- On April 16, 2009, the Honourable CLB approved the selection of Venturbay Consultants Private Limited ('Venturbay') as a strategic investor in the Company through a global competitive bidding process, approved by SEBI and conducted under the supervision of former Chief Justice of India, Shri S.P. Bharucha.
- On April 16, 2009, the Honourable CLB also approved the application made by the Company for extension of timelines for submitting the audited financial statements for the financial year 2008-09 to December 31, 2009.
- On July 6, 2009, the Honourable CLB approved the appointment of statutory auditors of the Company for the year ended March 31, 2010 subject to the ratification by the general body of the Company, as and when AGM is held.
- On July 17, 2009, the Honourable CLB authorised the withdrawal of four out of the six directors nominated by the Central Government and authorised the remaining two directors to continue till such time the Central Government desires to continue them, however, not beyond a period of three years from the date of the order.
- On October 15, 2009, the Honourable CLB approved the appointment of statutory auditors of the Company for the year ended March 31, 2009 subject to the ratification by the general body of the Company, as and when AGM is held.
- On October 16, 2009, the Honourable CLB also approved the application made by the Company for extension of timelines for submitting the audited financial statements for the financial year 2008-09 to June 30, 2010
- On June 30, 2010, the Honourable CLB approved the application made by the Company for extension of time for submission and publication of the financial statements for the year ended March 31, 2009 and March 31, 2010 to September 30, 2010, exempted the Company from publication of financial results for the quarter ended December 31, 2008 to March 31, 2010, and the time for holding the AGM for the financial year 2008 – 09 and 2009 – 10 was extended by 3 months, permission to file with ROC the Balance Sheet, the profit and loss and other related annexures for the financial years 2008-09 and 2009-10, and any filing required under other applicable laws including taxation laws, within 30 days from the date of the AGM, and the tenure of the statutory auditors till the conclusion of the Annual General Meeting for the financial year 2009-10.

#### 5. Acquisition by Venturbay

**5.1** M/s Venturbay Consultants Private Limited ('Venturbay') became the successful bidder of the global competitive bidding process initiated/ concluded under the supervision of the former Chief Justice of India, Shri S.P. Bharucha. Shri S.P. Bharucha has also given in writing to Honourable CLB, that the process of selection was fair, transparent and open as required.

During the current year, on May 5, 2009, Venturbay was allotted 302,764,327 equity shares of Rs. 2 each of the Company at a premium of Rs. 56 per share (being 31% of the paid up capital) for a consideration of Rs. 17,560 Million.

On July 10, 2009, pursuant to completion of the open offer, Venturbay was further allotted 198,658,498 equity shares of the Company (par value of Rs 2 each per share) at a premium of Rs. 56 per share for a consideration of Rs. 11,522 Million. Consequently, Venturbay currently holds 501,843,740 equity shares (including 420,915 equity shares acquired through the open offer) representing 42.67% of the paid up share capital of the Company. Currently, the Board of Directors of the Company comprises seven directors of which three are representatives from Venturbay, two are nominees of the Central Government and two are independent directors.

**5.2** Details of monies utilized out of preferential issue of shares

The Honourable CLB passed an order on February 19, 2009, permitting the Company to enhance the authorised share capital and to make preferential allotment of equity shares to an investor without seeking the consent of shareholders. Pursuant to the order, the Company has entered into share subscription agreement dated April 13, 2009 with Venturbay Consultants Private Limited and Tech Mahindra Limited for issue of 501,422,825 Equity Shares on preferential basis to Venturbay Consultants Private Limited. The terms and conditions of the issue are subject to the guidelines issued by SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Particulars	(Rs. in Million)
	As at March 31, 2010
501,422,825 Equity Shares of Rs. 2 each at a premium of Rs. 56 per share to M/s. Venturbay Consultants Private Limited	29,082
<b>Total amount received on preferential issue of shares (A)</b>	<b>29,082</b>
Utilisation of the amount received:	
Short Term Loan Repayment to Banks	3,690
Interest Free Loan to Subsidiaries	1,687
Amount deposited in Escrow Account	3,274
Investment in subsidiaries	669
Capital expenditure	113
Operational and Administrative Expenses	1,102
Personnel Expenses	210
<b>Actual utilisation of funds upto March 31, 2010 (B)</b>	<b>10,745</b>
<b>Unutilised funds as at March 31, 2010 (C) = (A) – (B)</b>	<b>18,337</b>
The unutilised funds as at March 31, 2010 were invested in the following manner:	
- Fixed deposits	12,250
- Mutual funds	6,268
Balance as at March 31, 2010 (including the interest earned on fixed deposits and gain on mutual funds redemption)	<b>18,518</b>

## 6. Commitments and contingencies

### 6.1 Alleged advances

The erstwhile Chairman in his letter dated January 7, 2009, stated that the Balance Sheet as of September 30, 2008 carried an understated liability of Rs. 12,304 Million on account of funds arranged by him. On January 8, 2009, the Company received letters from thirty seven companies requesting confirmation by way of acknowledgement of the alleged amounts referred to as 'alleged advances'. These letters were followed by legal notices from these companies dated August 4/5, 2009, claiming repayment of Rs 12,304 Million allegedly given as temporary advances. The legal notices also claim damages/ compensation @18% per annum from date of advance till date of repayment. The Company has not acknowledged any liability to any of the thirty seven companies and has replied to the legal notices stating that the claims are legally untenable. The ED is investigating the matter under the Prevention of Money Laundering Act, 2002 and directed the Company to furnish details with regard to the alleged advances and has further directed the Company not to return the alleged advances until further instructions from the ED.

On November 11, 2009, four out of the thirty seven companies have filed suits for recovery, before City Civil Court, Secunderabad, against the Company with a prayer to file as indigent person seeking exemption from payment of required Court fee. The aggregate amount sought to be recovered by these four companies is Rs. 3,131 Million and interest @18% per annum. These cases are pending before the said Court. As of date, the remaining thirty three companies have filed similar petitions in the said Court and the petitions are pending.

As of March 31, 2010, the amount of alleged advances has been presented separately under 'Amounts Pending Investigation Suspense Account (Net)'. The Company is contesting the claims for recovery filed as indigent petitions/suits by these companies. Since the matter is *sub judice* and the investigation by various Government Agencies is in progress, the Management, at this point of time, is not in a position to predict the ultimate outcome of the legal proceedings initiated by these thirty seven companies.

### 6.2 Claims from Upaid Systems Limited (Upaid)

In connection with the lawsuit filed by Upaid, the Company deposited an amount of Rs. 3,274 Million (equivalent to USD 70 Million) into an escrow account pursuant to a Settlement Agreement with Upaid to settle the litigation commenced by Upaid against the Company in the United States District Court for the Eastern District of Texas, Marshall County in USA wherein Upaid sought damages exceeding USD 1 Billion for fraud and forgery in addition to other punitive damages, fees and costs.

Subsequently, the Company obtained a favorable ruling against Upaid from the Supreme Court of the State of New York, USA declaring that that Upaid was solely responsible for any tax liability under Indian law in respect of the settlement amount. Upaid has filed an application before the Authority for Advance Rulings seeking a binding advance ruling under the Income Tax Act, 1961 (IT Act), for taxability of the above mentioned payment.

The order of the Authority for Advance Rulings has not been delivered till date.

Pending resolution of dispute, the Texas Action is currently adjourned.



### 6.3 Class Action Complaints

(i) Class Action Complaint

Subsequent to the letter by the erstwhile Chairman (Refer Note 3.1 of Schedule 18), a number of persons claiming to have purchased the Company's securities filed class action lawsuits in various courts in the USA alleging violations of the anti-fraud provisions of the Securities Exchange Act of 1934. The Company, the former officers, directors and former auditors of the Company, Maytas Infra Limited and some of its directors, Maytas Properties Limited and some of its directors are named as defendants in these lawsuits. The lawsuits were consolidated into a single action (the 'Class Action') in the United States District Court for the Southern District of New York (the 'Court').

The Class Action Complaint seeks monetary damages to compensate the Class Members for their alleged losses arising out of their investment in the Company's common stock and ADS during the Class Period.

(ii) On November 13, 2009, a trustee of two trusts that are assignees of the claims of twenty investors who purchased the Company's ADS or common stock (prior to the aforementioned letter by the erstwhile Chairman of the Company) and who sold their ADS or common stock after the confession, filed a complaint against the Company, its former auditors and certain other individuals (the 'Action') on grounds substantially similar to those contained in the Class Action Complaint mentioned above. The Action, which has been brought as an individual action, was filed after the consolidation of various class action lawsuits. The complaint filed in the Action alleges that the losses suffered by the twenty investors, for which recovery is sought, is over USD 68 Million.

(iii) Consolidation of Class Action Complaint and the Action

The Action was transferred to the Court in the Southern District of New York for pre-trial consolidation with the Class Action Complaint.

Based on the legal advice obtained by the Company, the Company is contesting the above lawsuits, the outcome of which is not determinable at this stage.

### 6.4 SEC proceedings

The Division of Enforcement ('Division') of the SEC is conducting a formal investigation into misstatements in the Company's financial statements predating January 7, 2009, the date of self-disclosure of financial irregularities by the erstwhile Chairman. The Company is cooperating fully with the investigation. On September 17, 2009, the Company received a 'Wells Notice' from the Division, which was a notification advising the Company that the Division had tentatively concluded that it would recommend to the Commissioners of the SEC that it files a civil suit against the Company, alleging fraud and other violations, and seeking permanent injunctions and monetary relief. As of date, the SEC has not made a determination regarding any staff recommendation in this matter. The outcome of this matter is not determinable at this stage.

### 6.5 Claims from a customer

The Company had entered into an agreement with a customer for software development for the operations of a customer in Japan. The Company executed the software development in accordance with the terms of the agreement. In 2005, the customer invoked arbitration contending deficiency of services and claiming damages of Japanese Yen 364 Million (equivalent to Rs. 189 Million) which is being disputed by the Company. The Company has also filed a counter claim of USD 0.24 Million (equivalent to Rs. 12 Million) being the balance amount due and payable for the work done by the Company, apart from other charges and interest the Company is entitled to. The matter is now pending before a Sole Arbitrator in Pune, the outcome of which is not determinable at this stage.

### 6.6 Income tax matters

#### Company

(i) Financial years 2002-03 to 2005-06

Consequent to the letter of the erstwhile Chairman referred to in Note 3.1 of Schedule 18, the Income Tax department conducted certain enquiries and passed rectification orders under Section 154 of the IT Act dated April 2, 2009, disallowing part of the claim made by the Company towards foreign tax credits which were earlier allowed in the assessments for the financial years 2002-03 to 2005-06, resulting in a demand of Rs. 2,358 Million. The Company has filed appeals before the Commissioner of Income Tax (Appeals) (CIT(A)) against the above said rectification orders, *inter alia*, contending that the said rectification orders are not based on record available as on the date of assessments and therefore not valid in law. Further, the Company has contended in the appeals that in any case, the past assessments should be rectified only after taking into account all the facts and circumstances of the case, after excluding the fictitious sales and non-existent income wrongly offered to tax earlier, and after arriving at the correct taxable income of the Company. The Company has received orders from the CIT(A) whereby the appeals filed for the above referred years have been disposed off against the Company. The Company has filed an appeal before the Income Tax Appellate Tribunal, (ITAT) Hyderabad challenging the order passed by the CIT(A). As per the independent professional opinion obtained by the Company the order passed by the CIT(A) is not tenable in law and is liable to be quashed by the appellate authorities.

While the stay petitions filed by the Company for non payment of the disputed tax demands have been rejected by the lower authorities, the Central Board of Direct Taxes (CBDT) has endorsed a copy of the stay petition to the Director General of Income Tax (Inv) Hyderabad and directed him to dispose of the stay petition by way of a speaking order, after providing appropriate opportunity of being heard to the Company which proceedings are in progress.



(ii) Financial years 2001-02, 2004-05 and 2005-06

In addition to the demands referred to above relating to financial years 2004-05 and 2005-06, the Company also received demands from the income tax authorities for Rs. 677 Million for the said years in the normal course of assessment against which the Company filed an appeal before the CIT (A). As against the said demand, the Company paid under protest an amount of Rs. 5 Million during the previous year March 31, 2009 and Rs. 60 Million during the current year aggregating to a payment of Rs. 65 Million as at March 31, 2010. The CIT (A) has passed an order allowing the grounds of appeal following the ITAT orders on same issues for the earlier years in relation to the Company, which if given effect to will result in the above demand being reduced to Nil. The CIT(A) has, however, rejected the additional grounds regarding computation of income and also directed the assessing officer to compute the tax liability after taking into account the separate orders passed for order referred in Note (i) above. The Company is in the process of filing further appeals before the ITAT.

(iii) Financial years 2006-07 and 2007-08

Based on the information available with the Company and the reports of the investigating agencies, the Company filed revised returns of income for the financial years 2006-07 and 2007-08, within the time stipulated under the IT, duly adjusting the fictitious sales and non-existent interest wrongly offered to tax in the original return of income filed by the Company. The assessing officer, however, rejected the revised return filed for the aforesaid financial years on the ground that the reports of the investigating agencies are subject to the proceedings before the Courts and that the Company has not discovered any omission or wrong statement in its original return of income, and that the revised return, if any, ought to have been filed based on the Company's revised financial statements which was not done.

With respect to financial year 2006-07, a total demand of Rs. 812 Million has been raised against the Company in the impugned order. The Company has filed an appeal against the above said rejection of its revised return contending that the Company has a right to revise its return of income under the provisions of the IT Act and once a revised return of income is validly filed within the stipulated time, the assessing officer has to consider the same during the assessment proceedings and that the assessing officer has no power under the IT Act to reject the revised return of income. The Company is of the view that the impugned order of the assessing officer, purporting to reject the revised return of the Company, is based on extraneous and irrelevant grounds, is invalid, beyond jurisdiction and is liable to be quashed by the appellate authorities.

With respect to financial year 2007-08, prior to the Company filing the revised return, the Company received an intimation under Section 143(1) of the IT Act demanding an amount of Rs. 2,562 Million on the Company rejecting the claim of the Company for foreign tax credits and tax deducted at source in view of non-availability of the details of the tax claims made by the Company. The Company has since filed the necessary details/ tax credit certificates before the assessing officer. Subsequently, the Company received a letter from the assessing officer demanding a total amount of Rs. 1,728 Million after considering the details furnished by the Company. The assessing officer also rejected the request for stay on recovery proceedings and directed the Company to pay the entire amount along with interest immediately. The Company is evaluating its further course of action.

(iv) Petition under Section 264

In respect of the orders under Section 154 of the IT Act relating to the financial years 2002-03 to 2005-06 referred to in paragraph (i) above, the Company filed a petition under Section 264 of the IT Act for revision of the above said orders before the Commissioner of Income Tax. The Commissioner of Income Tax had rejected the Company's petition under Section 264 on the grounds that the appeal against the same orders under Section 154 were pending before the CIT(A) at that time and pending disposal of such appeals, no revision order under Section 264 could be passed. The Company is evaluating its further course of action.

(v) Petition before the Central Board of Direct Taxes (CBDT)

Pursuant to the matters mentioned above, the Company filed a stay petition before the CBDT dated August 5, 2010 as per which the Company requested the CBDT to grant stay of recovery proceedings for the financial years 2002-03 to 2007-08 till the correct quantification is done of the income and tax payable for these respective years. Accordingly, the Company requested the CBDT to issue necessary directions to the Income Tax Department.

While the stay petitions filed by the Company for non-payment of the disputed tax demands have been rejected by the lower authorities, the Central Board of Direct Taxes (CBDT) has endorsed a copy of the stay petition to the Director General of Income Tax (Inv) Hyderabad and directed him to dispose of the stay petition by way of a speaking order, after providing appropriate opportunity of being heard to the Company which proceedings are in progress.

(vi) Provision for taxation

The Company is carrying a total net amount of Rs. 3,686 Million as at March 31, 2010 (March 31, 2009 – Rs. 4,371 Million) towards provision for taxation which was made primarily on the basis of the past financial statements. Considering the effects of financial irregularities, the status of disputed tax demands and appeals/ claims pending before the various authorities, consequent uncertainties regarding the outcome of these matter and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the balance of tax provision outstanding as at the Balance Sheet date.

(vii) Software Technology Parks of India (STPI) matters

The Company has received certain communications from the STPI authorities asking for various clarifications regarding the filings made in the past and other compliance related matters. The Management has provided/ is in the process of providing these details to the authorities.

Further, the Company has also not received the certification of invoices from the STPI authorities for some of the locations as required by the relevant STPI regulations.





## Subsidiary

### SVES

The tax assessments for the assessment years (AY) 2003-04 and 2005-06 are pending adjudication by CIT (A) with respect to commission adjustment to export turnover, arm's length price etc. A similar appeal for AY 2004-05 was decided against SVES except for adjustment to export turnover and the same is in appeal before ITAT. A similar tax assessment was made for AY 2006-07. SVES appealed the assessment order for AY 2006-07 before the CIT (A). The total tax demand for all the four years amounted to Rs. 66 Million. Pending disposal of the appeals before respective forums, SVES as a measure of prudence had made a provision of tax for earlier years to the extent of Rs. 30 Million and Rs.12 Million for the year ended March 31, 2009 and March 31, 2010 respectively representing the tax liability on commission paid to VGE with respect to sales made to the Company (mainly to end customer TRW) as the balance sales commission paid to VGE on sales made to others has been allowed for three years except for AY 2006-07. The balance amount of Rs. 24 Million that has not been provided has been considered as a contingent liability.

## 6.7 Indirect tax matters

### (i) Sales tax/value added tax

The Company has received demands from the Karnataka Sales Tax Department for financial years 2003-2004 and 2004-2005 totaling to Rs. 620 Million (including penalty for Rs. 104 Million), which has been paid under protest by the Company. The Company has gone on appeal against the said demand which appeal is pending before the Karnataka Appellate Tribunal.

The Company has also received demands from the Andhra Pradesh Sales Tax Department amounting to Rs. 250 Million (including penalty of Rs. 119 Million) for financial years 2002-2003 to 2008-2009. As against the above demand, the Company has paid an amount of Rs. 196 Million (including penalty of Rs. 83 Million) under protest. The Company's appeal for the financial years 2002-03 to 2007-08 filed before the Appellate Deputy Commissioner of Sales Tax was rejected and the Company has filed appeal against the same before the Sales Tax Appellate Tribunal.

The Company has also received a show cause notice of Rs. 4,554 Million to tax unlicensed software for the period 1999-2000 to 2004-05 from the Tamil Nadu Sales Tax Department. The Company has submitted the necessary details to the authorities.

### (ii) Service tax

The Company had availed Service Tax Input Credit on general insurance premium, outdoor catering service, health and fitness service, house-keeping service, event management service etc. The Service Tax Department challenged the above credit for the period from March 2005 to September 2008 and demanded service tax amounting to Rs. 212 Million (including penalty of Rs. 106 Million). The Company has gone on appeal before the Central Excise Service Tax Appellate Tribunal (CESTAT) for confirming the Service Tax Input Credit availed, which is pending final disposal.

## 6.8 Matters relating to overseas branches

The details of various claims/potential claims/ tax demands on account of tax provisions relating to the overseas branches are given below:

Particulars	<i>(Rs. in Million)</i>	
	Amount March 31, 2010	Amount March 31, 2009
Claim arising out of the special audit initiated by the Belgian tax authorities. The audit is in progress and the Company is in the process of providing the necessary information	Not quantifiable	Not quantifiable
Income tax demands in the United States of America:		
- State of Pennsylvania	4	4
- New York State income tax liability for the years 2006, 2007 and 2008. The Company has requested the tax authorities not to proceed till the Company files restated returns. The tax authorities have granted approval to the Company's request.	106	106
- California State income tax liability for the years 2003, 2004 and 2005. The Company has requested the tax authorities not to proceed till the Company files restated returns. The tax authorities have granted approval to the Company's request.	62	62
Others	176	176

## 6.9 Compliance with employee/ labour related laws

### (i) Demand from Employees State Insurance authorities and Provident Fund

During the previous year ended March 31, 2009, the Company received a demand of Rs. 3 Million from the Regional Office, Employees State Insurance (ESI) Corporation pertaining to the period from April 2004 to March 2005. The Company remitted Rs. 1 Million in respect of the same under protest and appealed against the demand order which is pending final disposal at the ESI Court.

Similarly, during the current year, the Company has received an order from the Employees Provident Fund Organisation demanding an amount of Rs. 3 Million pertaining to the month of December 2008. The Company has appealed against the same before the Employees Provident Fund Appellate Tribunal, which is pending disposal. The Company has remitted Rs. 1 Million against the said demand under protest.

- (ii) Other employee/labour related laws

The Company carries out significant operations through its branches/sales offices located at various countries. The Company has assessed the compliance with various other employee/labour related laws and based on such assessment done, non compliances, wherever identified, have been appropriately dealt with.

#### 6.10 Purchase commitments in respect of subsidiaries

The details of future purchase consideration payable in respect of certain acquired subsidiaries are given below:

**As at March 31, 2010:**

*(Amounts in Million)*

Name of subsidiary	Currency	Amount	Amount in INR	Payable by
Bridge Strategy Group LLC	USD	8	361	October 2010
<b>Total</b>			<b>361</b>	

**As at March 31, 2009**

*(Amounts in Million)*

Name of subsidiary	Currency	Amount	Amount in INR	Payable by
Bridge Strategy Group LLC	USD	8	408	October 2010
<b>Total</b>			<b>408</b>	

The details of future purchase consideration payable by one of the subsidiary (Satyam Belgium) to the sellers in respect of certain acquired subsidiaries are given below:

**As at March 31, 2010**

*(Amounts in Million)*

Name of subsidiary	Currency	Amount	Amount in INR	Payable
S&V Management Consultants	EURO	8	486	In Installments April 2010 to April 2011

**As at March 31, 2009**

*(Amounts in Million)*

Name of subsidiary	Currency	Amount	Amount in INR	Payable
S&V Management Consultants	EURO	11	744	In Installments April 2009 to April 2011

#### 6.11 Dispute with Venture Global LLC

The Company and Venture Global Engineering LLC (VGE) entered into a Joint Venture Agreement on October 20, 1999 to form an Indian Company called Satyam Venture Engineering Services Private Limited (SVES). SVES was formed to provide engineering services to the automotive industry. The capital participation of the Company and VGE was in the ratio of 50:50. On or around March 20, 2003 numerous corporate affiliates of VGE filed for bankruptcy. This triggered the option for the Company to purchase VGE's shares of SVES under the Shareholder's Agreement which the Company exercised. As VGE disputed the Company's action the Company requested for arbitration with the London Court of International Arbitration (LCIA) as provided in the Shareholder's Agreement.

The Arbitrator gave an award dated April 3, 2006 in favour of the Company. The Company filed for enforcement and recognition of the award before the District Court of Michigan, U.S.A. The District Court on July 31, 2006 directed enforcement of the award and the Sixth Grant Court of Appeals in US on May 25, 2007 affirmed it. On April 28, 2006, while the proceedings were pending in the USA, VGE also filed a suit before the District Court of Secunderabad in India for setting aside the award dated April 3, 2006. The District Court of Secunderabad and the High Court of Andhra Pradesh dismissed VGE's petition for setting aside the award. On an appeal by VGE, the Supreme Court of India on January 10, 2008, set aside the orders of the District Court and the High Court and remanded the matter back to City Civil Court, Hyderabad for hearing on merits. The Supreme Court also directed status quo with regard to transfer of shares till the disposal of the suit.



On January 17, 2008, the District Court of Michigan held VGE in contempt in India for its failure to honour the award and amongst others directed VGE to dismiss its Board members and replace them with individuals nominated by the Company. The order of the District Court of Michigan in contempt proceeding was affirmed by the Sixth Court of Appeals on April 9, 2009. Following this VGE has appointed the Company's nominees on the Board of SVES and SVES confirmed the appointment at its Board meeting held on June 26, 2008. The Company is legally advised that SVES became its subsidiary with effect from that date.

VGE also sought to file an application for bringing additional pleadings on record in the matter pending before the City Civil Court which allowed VGE's application. As the High Court of Andhra Pradesh allowed, the Company's appeal against the order of the City Civil Court, VGE appealed against the order of the High Court to the Supreme Court. The Supreme Court on August 11, 2010 allowed VGE's application to bring on record additional pleadings. The matter is pending before the City Civil Court, Hyderabad.

#### 6.12 Other claims/contingencies/commitments

(i) The details of other claims/contingencies/commitments as at March 31, 2010 are summarised below:

(Rs. in Million)

Particulars	As at March 31, 2010	As at March 31, 2009
<b>Company</b>		
Vendor claims	95	107
Employee claims	39	24
Customer claims	90	90
Other shareholder claims	-	0.3
Claims from promoters of subsidiaries	Refer Note 13.5 of Schedule 18	Refer Note 13.5 of Schedule 18
Guarantees/Comfort letters provided by the Company	Refer Note 27 of Schedule 18	Refer Note 27 of Schedule 18
Bank guarantees outstanding	1,600	1,832
Corporate guarantees given on behalf of a subsidiary in respect of a loan availed by the subsidiary	-	3,345
Contracts pending execution on capital accounts (net of advances)	3,436	3,378
<b>Subsidiaries</b>		
Bank guarantees outstanding	10	9
Contracts pending execution on capital accounts (net of advances)	1	4
Others	24	17

(ii) The Company has certain outstanding export obligations/commitments as at March 31, 2010. The Management is confident of meeting these obligations/commitments within the stipulated period of time/obtaining suitable extensions, wherever required.

#### 6.13 Management's assessment of contingencies/claims

The amounts disclosed under contingencies/claims represent the best possible estimates arrived at on the basis of the available information. Due to the high degree of judgment required in determining the amount of potential loss related to the various claims and litigations mentioned above in which the Company is involved and the inherent uncertainty in predicting future settlements and judicial decisions, the Company cannot estimate a range of possible losses. However, excluding the liability, if any, arising from the class action suits as mentioned in Note 6.3 of Schedule 18 for which the outcome is not determinable at this stage, the Company has made appropriate provision for contingencies as at March 31, 2010 which, in the opinion of the Management, is adequate to cover any probable losses in respect of the above litigations and claims. Refer Note 31.2 of Schedule 18.

#### 7. Insurance claims

A Directors and Officers Liability Policy ('D&O Policy') had been taken by the Company to protect its directors and officers against legal costs incurred by them in defending allegations or suits brought against them for wrongful acts and any awards granted against them, including out of court settlements. The D&O Policy also protects the Company if it is exposed to a 'Securities Claim' as defined under the D&O Policy. The primary policy for the period from October 15, 2008 to October 14, 2009 had been issued by the lead insurer and secondary policy forming multiple layers of coverage in excess of the primary policy had been issued by other insurance companies.

The Company has notified the lead insurer regarding receipt of notices from several regulatory authorities and the class action suits.

The lead insurer, while expressly reserving its rights under the D&O Policy, has taken a preliminary view and disputed the claim under the D&O Policy. The Company has replied wherein it has expressly reserved its rights with respect to the D&O Policy and disagreed with a number of statements and positions taken by the lead insurer.

The Company is examining various options for proceedings against the lead insurer and, hence, the outcome is uncertain at this stage.

## 8. Regulatory non-compliances/ breaches

During the previous year ended March 31, 2009, the Company identified certain non-compliances/breaches of various laws and regulations of the Company under the erstwhile management including, but not limited to the following:

### 8.1 The Companies Act, 1956 ('the Act')

- (i) Payment of remuneration/commission to whole-time directors/ non-executive directors in excess of the limits prescribed under the Act.

Pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII of the Act the shareholders of the Company had approved remuneration to Mr. B. Ramalinga Raju, Mr. B. Rama Raju and Mr. Ram Mynampati, the erstwhile whole-time directors of the Company.

There is no managerial remuneration paid to the whole-time directors for the financial year 2009-10. The details of remuneration paid to the whole-time directors for the financial year 2008 - 09 is given below:

<i>(Rs. in Million)</i>	
Name of the Director	2008-09
Mr. B. Ramalinga Raju	5
Mr. B. Rama Raju	4
Mr. Ram Mynampati	21
<b>Total</b>	<b>30</b>

As the Company incurred losses in the previous year ended March 31, 2009, the actual remuneration paid to the whole-time directors was in excess of the amounts payable to them as minimum remuneration in accordance with the provisions of Schedule XIII of the Act to the extent of Rs. 23 Million for the year 2008-09 and, hence, the excess amount has been accounted as recoverable from the respective directors who received it. The Company is proposing to initiate proceedings for recovery of the aforesaid excess remuneration paid for the year 2008-09 from the respective directors.

The Company had also paid Rs. 11 Million towards commission to non-executive directors during the financial year 2008-09. For the reasons stated above, the actual commission paid to the non-executive directors is in excess of the amounts payable to them in accordance with the provisions of the Act to the extent of Rs. 11 Million for the year 2008-09 and, hence, the excess amount is accounted as recoverable from the respective directors who received it. The Company is proposing to initiate proceedings for recovery of the aforesaid excess commission paid for the year 2008-09 from the respective directors.

For the financial years prior to 2008-09:

The Company is exploring the possibility of recovering the excess remuneration/commission, if any, paid by the Company to the respective directors for the years prior to 2008-09.

- (ii) Unauthorised borrowings

The investigations revealed that the Company borrowed Rs. 7,201 Million from various banks without obtaining board approvals during the period from April 1, 2002 till September 30, 2008. Also Refer Note 3.3(i) of Schedule 18.

The Company repaid the entire amount of Rs. 7,201 Million during the previous year ended March 31, 2009.

In the absence of Board / shareholders approval, for the above borrowings, the Company has violated Section 292(1)(c) and Section 293(1)(d) of the Act.

- (iii) Excess contributions

The Company with the prior approval of Board in its meeting held on July 21, 2005, contributed Rs. 141 Million to Satyam Foundation during the period from June 2005 to September 2008.

As per Section 293 (1)(e) of the Act, except with the consent of the shareholders in a general meeting, contributions by the Company to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, shall not exceed fifty thousand rupees, or five per cent, of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three immediately preceding financial years, whichever is greater.

The Company is exploring the possibility of recovering the excess contributions, if any made to Satyam Foundation from the erstwhile directors for the period from June 2005 to September 2008.

- (iv) Loan to ASOP Trust without prior approval

The Company gave a loan of Rs. 50 Million to Satyam Associate Trust on February 14, 2007 without obtaining the prior approval of the Board of Directors or delegation of such power as required under Section 292(1)(e) of the Act.

- (v) Delay in deposit of dividend in the bank

The Company had paid dividend to its shareholders during the financial years 2001- 02 to 2008-09. Both interim and final dividends were paid within the statutory limit of 30 days from the date of declaration as per Section 205 of the Act. However, in some cases, the amount towards dividends was deposited in the bank account opened for payment of dividend after five days from the date of declaration of such dividend contrary to the provisions of Section 205(1A) of the Act.



(vi) Dividend paid without profits

For the financial year 2008-09, the Company declared and paid an amount of Rs. 674 Million as interim dividend based on the approval obtained from the erstwhile Board of Directors of the Company vide their resolution dated October 17, 2008. As the Company incurred losses in the previous year ended March 31, 2009 (even before prior period adjustments identified on account of the financial irregularities relating to the years prior to 2008-09), there were no profits for the purpose of declaring dividend and hence there is a non-compliance of Section 205 of the Act.

The Company has been legally advised that it has a right of recourse against the erstwhile Board of Directors for declaration and payment of dividend in view of the absence of profits for the year 2008-09. The Company is proposing to initiate proceedings against the erstwhile directors for recovery of dividends paid to the shareholders for the year 2008-09.

For the financial years prior to 2008-09:

The Company is exploring the possibility of recovering the dividend paid to the shareholders from the erstwhile directors for the years prior to 2008-09, if such payment was in contravention with the provisions of Section 205 of the Act.

(vii) Non-transfer of profits to general reserve relating to interim dividend declared

Consequent to the interim dividend declared and paid by the Company for the financial year 2008-09, the Company had to transfer a minimum stipulated amount to the General Reserve in accordance with the Companies (Transfer of Profits to Reserves Rules), 1975. As the Company incurred losses in the previous year ended March 31, 2009 (even before prior period adjustments identified on account of the financial irregularities relating to the years prior to 2008-09), there is an inadequate balance in the Profit and Loss account for the purpose of transfer of such amount to the General Reserve and, accordingly, no such transfer to General Reserve could be effected.

For the financial years prior to 2008-09:

The Company has not determined whether there was inadequate balance in the Profit and Loss account during the years prior to 2008-09 for the purpose of transfer of amounts to the General Reserve relating to dividends declared.

(viii) Utilisation of the Securities Premium account

As per the method of accounting followed by the Company, the fringe benefit tax (FBT) (till such time it was applicable) on ASOP is recovered from the employees as part of the amount received towards allotment of shares on exercise of the options. At the time of recovery, this amount is netted off against the FBT expense in the Profit and Loss account.

During the year ended March 31, 2008, as per the accounting policy followed by the Company during that year, the Company had included the amount recovered from employees towards FBT amounting to Rs. 168 Million as part of the Securities Premium account and debited the FBT liability towards stock options exercised during the year 2007-08 amounting to Rs. 192 Million to the Securities Premium account.

During the previous year ended March 31, 2009, the Company obtained legal advice in this regard and was of the opinion that the amounts of such recovery and remittance of FBT should not have been routed through the Securities Premium account and, hence, corrected the same in the financial statements to the extent of the excess amount of Rs. 24 Million, representing short recovery of FBT from employees, which was incorrectly debited to the Securities Premium account and which could result in violation of the provisions of Section 78 of the Act.

(ix) Declaration of bonus shares

In respect of issue of bonus shares in the prior periods, the Company is in the process of determining whether there has been any non compliance with the provisions of the Act.

(x) Company law violations as per SFIO reports

Consequent to the letter written by the erstwhile Chairman, SFIO investigated into the affairs of the Company under Section 235 of the Act. As a result of the investigation, SFIO filed seven cases on company law violations, out of which the Company was accused in the two cases mentioned below:

- (a) The payment of professional fee to Mr. Krishna G Palepu, a non-executive director was with the approval of shareholders by way of special resolution passed in the Annual General Meeting held on August 21, 2006 as per the provisions of Section 314 of the Act. However, the SFIO held that the Company had not complied with Section 309 of the Act in seeking the opinion of the Central Government on the requisite qualifications possessed by the director for the practice of the profession. The SFIO held that the instant case was not covered under Section 314 of the Act as the terms of reference given to Mr. Krishna G Palepu did not indicate the assignment of any specific position or office of profit to him in the Company.

The Union of India has commenced prosecution in the Court of the Special Judge for Economic Offences at Hyderabad under Section 621 alleging violation of Section 309 read with Section 629A of the Act. The trial is ongoing. It has also sought refund of the amount paid to Mr. Krishna G Palepu to the Company. The Company has filed a compounding application with respect to the said offence.

- (b) The SFIO stated that the Company had filed incomplete Balance Sheets as on March 31, 2007 and March 31, 2008 on the MCA website as the attachments of the Balance Sheets did not contain the directors' report along with the annexure required under the various rules, the auditors' report for the financial year

2006 - 07 and schedules to the Balance Sheet, the directors' report along with the required annexure and the auditors' report for the financial year 2007 - 08 thereby violating the provisions of Section 220 of the Act.

The Company had not received any communication from the Registrar of Companies, Andhra Pradesh seeking clarification on the incomplete filing for the financial year 2006 - 07. Approval for the filing for financial year 2007 - 08 was received by the Company and all the required documents except auditors' report are available on the MCA website.

The Union of India has commenced prosecution in the Court of Special Judge for Economic Offences at Hyderabad under Section 621 alleging violation of Section 220 read with Section 162 of the Act for filing incomplete Balance Sheets. The trial is ongoing. The Company has filed a compounding application with respect to the said offence.

## **8.2 SEBI**

The Company had formulated the Associate Stock Option Plan (ASOP) A scheme prior to issue of ESOP Guidelines by SEBI. This plan is administered through the Trust and the Trust has been granting warrants from time to time. On the pretext that the ASOP A scheme was framed prior to the current ESOP guidelines as amended by a notification issued on June 30, 2003, the details of warrants granted under the ASOP A scheme during the financial years 2003 - 04 to 2007 - 08 were not provided under the disclosures made in the Directors Report as required under Clause 12(1) of the aforementioned guidelines and in the disclosures required to be made in the financial statements of the Company. Further, no stock compensation costs were recorded by the Company in its financial statements for the above mentioned period. This is in violation of the ESOP Guidelines issued by SEBI.

## **8.3 Foreign Exchange Management Act (FEMA), 1999**

- (i) In some of the cases, the Company has not been able to do a "one on one" matching of the foreign currency receipts against the Foreign Inward Remittance Certificates (FIRC) obtained from the bankers. Pending such matching, the Company has appropriated the collections based on and to the extent of the information available with the Management. Further, the Company has not filed such invoice wise FIRC details with Authorised dealer as required by the FEMA regulations.
- (ii) There are certain uncollected dues/ receivables in foreign currency which are outstanding for a long period of time for which the required permission for extension of time has not been obtained from the appropriate authorities.

The Company is in the process of regularising the same and filing all the required applications/details.

## **8.4 Delay in filing of return of income with the audited financial statements**

Consequent to the events mentioned in Note 3.1 of Schedule 18 above and pending finalisation of the accounts as at the due date for filing the return of income, the Company has not yet filed the return of income for the previous financial year ended March 31, 2009 within the time stipulated under the provisions of the IT Act. However, the Company had filed a provisional return of income on September 30, 2009 for the previous year ended March 31, 2009. The Company has received a notice from the assessing officer asking the Company to show cause as to why a penalty should not be levied under Section 271B for the failure to get the books of account audited under the provisions of Section 44AB of the IT Act.

The Company has filed a petition before the CBDT under Section 119 of the IT Act seeking extension for complying with the various statutory requirements under the IT Act and such extension has been granted till October 31, 2010.

## **8.5 Non-availability of exemption certificates/tax deduction certificates**

In respect of deduction claimed under Section 10A of the IT Act for the financial year 2007 - 08, signed certificates in Form 56F, which are required to be furnished to the department at the time of the assessment, are not readily available with the Company. Non furnishing of such signed copies may result in a disallowance in the exemption claim of the Company and a tax liability on account of the same. Based on legal advice obtained by the Company, the Company is of the view that no provision is required to be made in the financial statements at this juncture, and the Company can submit the Form 56Fs, duly certified by a Chartered Accountant at the time of the assessment. Further, the Company has filed a revised return for financial year 2007-08 for which the Company has received the Form 56Fs duly certified by a Chartered Accountant.

The Company also had certain old withholding tax claims made in prior years, the certificates for which were either non-existent or the originals were not available. The Company identified such instances to the extent of the information available and suitably adjusted with the same in the Profit and Loss account for the previous year ended March 31, 2009.

## **8.6 Delay in filing of tax returns in overseas jurisdictions**

There have also been cases of delay in filing of tax returns (income tax and sales tax) within the stipulated time period in some of the overseas countries primarily in the past, the potential liability on account of which is not ascertainable at this stage. The Company is of the opinion that the likely liability on account of the same is not expected to have a material impact on the financial statements.

## **8.7 Management's assessment of the statutory non-compliances**

The Management believes that the various non-compliances and breaches by the Company of the statutory requirements which have been noticed/ observed, duly considering the findings of the forensic investigation/other ongoing regulatory investigations have been summarised above. The Company is proposing to make an application to appropriate authorities, where applicable for condoning these non-compliances and breaches relating to the Company. The possible impact of these non-compliances and breaches in the event the Company's condonation requests, where applicable, are not granted has not been determined or recognised in the financial statements.





## **9. Financial reporting process**

### **9.1 Internal control matters**

Post the bidding process, Venturbay appointed its nominees on the Board of the Company in the month of June 2009. Subsequently, the Company took various steps including induction of some senior managerial personnel into the Company. The new Management then evaluated the internal control situation existing in the Company and identified various internal control deficiencies and weaknesses. Pursuant to such evaluation, the Company concluded that for the year ended March 31, 2009, the internal controls and procedures of the Company were not effective at reasonable assurance level and reported the same in its annual accounts pertaining to the financial year ended March 31, 2009. While the Company under the new Management took several steps during the year to mitigate some of the identified internal control deficiencies and weaknesses, other identified internal control weaknesses and deficiencies continued during the financial year ended March 31, 2010 also. Some of the key findings of the internal control evaluation exercise and the remediation action taken by the new Management relating to the financial year ended March 31, 2010 are:

- For part of the year, the Company did not maintain an effective control environment at the entity level. The new Management took steps to:
- Appoint a new Audit Committee consisting of the two Government nominated Directors and the two independent Directors. One of the Government nominated Directors is the Chairman of the Audit Committee. During the year, the Audit Committee reviewed and modified the Audit Committee Charter.
- Revised the Code of Ethical Business Conduct (CEBC), including the Whistle Blower policy.
- Nominated a Corporate Ombudsman to monitor the implementation of the CEBC, including the Whistle Blower policy.
- Initiated a review of compensation policy, performance management system, sales incentive policy, recruitment policy, travel policy etc.
- For part of the year, the risk oversight function lacked enterprise-wide coordination, and an effective approach to performing entity-wide risk assessment. The new Management took steps to formulate an entity-wide risk management policy, approved by the Board.
- For part of the year the deficiencies in Internal Audit continued and adversely affected the ability to identify control weaknesses. The new Management strengthened the Internal Audit function by appointing a reputed and independent external agency as its Internal Auditor.
- During the year, some of the earlier identified control deficiencies and weaknesses continued. For example, multiple non-integrated software platforms are being used for financial reporting. There are unexplained/unreconciled balances between sub-system/sub-ledgers and the general ledger. Deficiencies in the process of revenue recognition and receivables management as well as in IT general and application controls and in the financial closing and reporting process continue. The customer/vendor confirmation process was also not effective.

The new Management, for the purpose of ensuring appropriate controls over the financial reporting process and the preparation of the financial statements for the year ended March 31, 2010, has implemented specific procedures like manual reconciliations between the various sub-systems/sub-ledgers and the general ledger, requests for various balance confirmations as part of the year end closure process, confirmation of the department wise financial details by the business leaders, preparation and review of proper bank reconciliation statements, review of the revenue recognition policies and procedures, preparation and review of schedules for key account balances, implementing proper approval mechanisms, closer monitoring of the financial closure process etc.

In addition, physical verification of fixed assets was conducted by the new Management through an external consultant and the deficiencies that were noticed were appropriately dealt with in the books.

### **9.2 Non availability of documents/ information**

As stated in Notes 3.2 and 3.8 of Schedule 18, certain documents/information could not be either located or were unavailable to substantiate the transactions for the previous year ended March 31, 2009. Such instances of unavailable/ non-traceable documents/ information were also noted during the preparation of the financial statements for the previous year ended March 31, 2009 by the Management. Some of these documents relate to the areas of revenue, expenses, fixed assets, current assets and current liabilities and include documents pertaining to the period prior to April 1, 2008.

In the absence of such documents/information, adjustments required in respect of the opening balances as at April 1, 2008 (including the adjustments consequent to the assessment of consistent application of accounting policies) have been carried out in the previous year ended March 31, 2009 to the extent feasible by the Management, based on available alternate evidences/information.

### **9.3 Reconciliations**

With respect to some of the key business processes like revenues, expenses, payroll, fixed assets, etc., the Company uses various sub-systems, the output from which, is being used for accounting in the financial package maintained by the Company. Within the financial package, there are also sub-ledgers and general ledger. In this respect, certain reconciliations between the sub-systems/sub-ledgers and the general ledger could not be performed completely due to non-availability of all the required information. Further, there are certain differences between the sub-systems which provide the inputs to the main sub-system, which is ultimately interfaced to the general ledger, for which complete details are not available.



Consequently, adjustments arising on account of these reconciliations have been carried out to the extent feasible by the Management, based on the available information. Based on the same, the Company has identified certain transactions amounting to Rs. 47 Million (March 31, 2009 – Rs. 27 Million) (net debit) (comprising of Rs. 515 Million (March 31, 2009 - Rs. 494 Million) of gross debits and Rs. 468 Million (March 31, 2009 - Rs. 467 Million) of gross credits, for which the complete details are not available, hence, these amounts have been accounted under “Unexplained Differences Suspense Account (Net)” under Schedule 12 and the Management has provided for the unexplained net amount of Rs. 20 Million as at March 31, 2010 (March 31, 2009 - Rs. 27 Million) by debit to the Profit and Loss Account on grounds of prudence. Refer Note 31.3 of Schedule 18.

#### **9.4 Confirmation of balances/other details**

As part of the year-end financial reporting and closure process, requests for confirmation of balances/other details were sent out to various parties including banks, customers, vendors, employees, landlords, others etc for confirming the year end balances/other details. However, confirmations could not be sent out to some of the parties consequent to non-availability of complete records/addresses relating to these parties. The responses received from the parties reflected under sundry debtors, current liabilities and loans and advances was minimal compared to the overall number of confirmations sent out inspite of follow-up by the Company.

With respect to the cases where the confirmation responses were received, reconciliations have been performed based on the information available with the Company and necessary adjustments have been carried out in the financial statements.

With respect to the cases where the balances/other details were not confirmed by the parties, necessary adjustments including provision for debtors, provision for advances, provision for expenses have been carried out in the financial statements based on the information available with the Management.

#### **9.5 Risks and uncertainties**

There are risks and uncertainties relevant to the Company's financial condition, results of operations and liquidity positions that may affect future performance.

Some of the key risks and uncertainties that might impact the Company's business are stated as under:

(i) *Risk of un-identified financial irregularities*

In view of the significant limitations in the forensic investigation as stated in Note 3.2 of Schedule 18, there is a risk that material errors, fraud and other illegal acts may exist that remain undetected.

(ii) *Risk of adverse outcome of investigation by law enforcement agencies*

Several law enforcement agencies such as CBI, SEBI, SFIO and ED in India and SEC in the USA are currently investigating the extent of financial irregularities and breach of law by the erstwhile Chairman and other former employees of the Company. Refer Note 3 of Schedule 18. The Company may be exposed to liabilities in case of any adverse outcome of these investigations.

(iii) *Risk of substantial adverse outcome of litigation and claims*

Refer Note 6 of Schedule 18 for the details of open litigation and claims including class action law suits from shareholders in the United States of America (USA) which, if proven, could give rise to substantial liabilities. The Company is defending these litigations in various courts in India and USA.

(iv) *Risk of non-compliances/breaches with various laws and regulations*

The financial irregularities perpetrated by the erstwhile Chairman and former employees of the Company have led to violations of several laws and regulations including the Companies Act, 1956, guidelines prescribed by SEBI, Reserve Bank of India ('RBI') regulations, etc. The Company is exposed to liabilities in cases where these laws/ regulations have been violated and the Company's application for condonation, where applicable, is not granted. Refer Note 8 of Schedule 18.

#### **9.6 Management's assessment on financial reporting**

Based on the assessment of the above and the information available with the Management at this stage and the corrective actions taken, the Management believes that these financial statements, read with the notes thereon, do not contain any material misstatements/ omissions, in respect of the above.

### **10. Employee stock option schemes**

#### **Company**

The ESOP guidelines issued by SEBI are applicable to options / shares granted / allotted on or after June 19, 1999. These guidelines were amended subsequently on June 30, 2003 to include the stock options granted by a Trust for the schemes administered by the Trust.

#### **10.1 Associate Stock Option Plan A (ASOP-A)**

In May 1998, the Company established its ASOP plan which provides for the issue of 1,300,000 warrants having a face value of Rs. 10 at a price of Rs. 450 per warrant. The Company issued these warrants to an associate controlled welfare trust called the Satyam Associate Trust formed vide agreement dated August 16, 1999. At the twelfth 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 that all its employees receive the benefits of the bonus issue, the Trust was allotted the bonus shares for the warrants held by the Trust. The Trust exercised all its warrants to purchase the shares from the Company prior to stock split using the proceeds obtained from bank loans. The Trust grants warrants to eligible employees to purchase equity shares held by the Trust. 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. The warrants vested on employees needs to be exercised within 30 days from the date of vesting.



Subsequent to the bonus issues and share split, each warrant entitles the holder to purchase 20 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. As at March 31, 2010, 6,500,000 (March 31, 2009 – 6,500,000) equity shares of Rs. 2 each have been allotted to the Satyam Associate Trust under ASOP A.

Till March 31, 2008, the Company was of the view that the employee stock options granted under the ASOP A plan administered by the Trust is the Scheme which has been established prior to the SEBI guidelines on the stock options and, hence, no cost relating to the grant of options need to be recorded under this scheme. During the previous year ended March 31, 2009, based on legal opinion obtained, the Company became aware that the SEBI guidelines are applicable to the employee stock options granted under this plan in respect of accounting periods commencing on or after June 30, 2003. Consequently, the Company recorded a cumulative amount of Rs. 270 Million towards the cost of stock options for the period from June 30, 2003 to March 31, 2009 issued to employees under the ASOP A plan during the previous year ended March 31, 2009. Out of this, an amount of Rs. 186 Million relates to the cost for the period prior to April 1, 2008 which has been charged to the Profit and Loss Account as prior period adjustments in the previous year ended March 31, 2009. Refer Note 3.3(iii) of Schedule 18.

As at March 31, 2010 options aggregating 3,500 (net of cancellations) (March 31, 2009 - 10,815 options) representing 70,000 equity shares (March 31, 2009 - 216,300 equity shares) of Rs. 2 each were outstanding.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,			
	2010		2009	
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	10,815	1,627	2,600	1,511
Granted	-	-	16,150	1,569
Exercised	-	-	(6,925)	(1,443)
Forfeited	(2,680)	1,575	(1,010)	(1,666)
Lapsed	(4,635)	1,701	-	-
At the end of the year	3,500	1,701	10,815	1,627

For options outstanding at the end of the current year, the exercise price was Rs. 1,701 (March 31, 2009 - Rs. 1,409 to Rs. 1,701) and the weighted average remaining contractual life is 0.09 years (March 31, 2009 – 0.57 years).

No options were granted during the current year. The weighted average fair value of options granted during the previous year ended March 31, 2009 was Rs. 6,440.

No options were exercised during the current year. For the options that were exercised during the previous year ended March 31, 2009, the weighted average share price on the date of exercise was Rs. 388.59.

## 10.2 Associate Stock Option Plan (ASOP – B)

The Company has established a scheme 'Associate Stock Option Plan – B' (ASOP - B) for which 58,146,872 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 equity shares. As at March 31, 2010, 28,739,933 (March 31, 2009, 28,735,133) equity shares of Rs. 2 each have been allotted to the associates under ASOP B.

Accordingly, options (net of cancellations) for a total number of 21,108,842 (March 31, 2009 – 12,062,094) equity shares of Rs. 2 each were outstanding as at March 31, 2010.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,			
	2010		2009	
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	12,062,094	166.37	15,641,127	167.21
Granted	13,721,385	109.60	-	-
Exercised	(4,806)	96.96	(2,953,573)	170.72
Forfeited	(4,485,997)	168.35	(568,479)	183.16
Lapsed	(183,834)	176.19	(56,981)	176.45
At the end of the year	21,108,842	134.94	12,062,094	166.37

For options outstanding at the end of the current year, the exercise price was in the range of Rs. 77 – Rs. 328 (March 31, 2009 – Rs. 77 – Rs. 328) and the weighted average remaining contractual life is 5.17 years (March 31, 2009 – 3.04 years).

The weighted average fair value of options granted during the current year was Rs. 72.53. No options were granted during the previous year ended March 31, 2009.

For the options that were exercised during the current year, the weighted average share price on the date of exercise was Rs.101.47 (March 31, 2009 – Rs. 436).

### 10.3 Associate Stock Option Plan (ASOP - 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 in May 2000. Under the scheme, 3,456,383 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 the grant converted into Indian Rupees at the rate of exchange prevalent on the day of the 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). As at March 31, 2010, 1,246,955 ADS (March 31, 2009 – 1,246,955) representing 2,493,910 (March 31, 2009 – 2,493,910) equity shares of Rs. 2 each have been allotted to the associates under ASOP (ADS).

Accordingly, options (net of cancellation) for a total number of 1,684,052 (March 31, 2009 – 1,195,642) ADS representing 3,368,104 (March 31, 2009 – 2,391,284) equity shares of Rs. 2 each were outstanding as at March 31, 2010.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,			
	2010		2009	
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	1,195,642	440.08	1,283,118	429.20
Granted	1,316,991	257.67	–	–
Exercised	–	–	(83,402)	279.48
Forfeited	(802,193)	430.86	(2,796)	231.65
Lapsed	(26,388)	243.38	(1,278)	240.23
At the end of the year	1,684,052	292.68	1,195,642	440.08

For options outstanding at the end of the current year, the exercise price was in the range of Rs. 178.79 - Rs. 640.60 (March 31, 2009 – Rs. 151 – Rs 632) and the weighted average remaining contractual life is 5.30 years (March 31, 2009 – 2.28 years).

The weighted average fair value of options granted during the current year was Rs.192.12. No options were granted during the previous year ended March 31, 2009.

No options were exercised during the current year. For the options that were exercised during the previous year ended March 31, 2009 the weighted average unit price on the date of exercise was Rs. 1,005.

### 10.4 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 in May 2000. 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. As at March 31, 2010, 974,882 (March 31, 2009 – 393,637) equity shares of Rs. 2 each have been allotted to the associates under ASOP - RSUs.

Accordingly, options (net of cancellations) for a total number of 1,333,308 (March 31, 2009 – 2,767,973) ASOP-RSUs equity shares of Rs. 2 each were outstanding as at March 31, 2010.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,			
	2010		2009	
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	2,767,973	2.00	3,150,202	2.00
Granted	–	–	61,500	2.00
Exercised	(581,245)	2.00	(273,188)	2.00
Forfeited	(853,420)	2.00	(170,541)	2.00
Lapsed	–	–	–	–
At the end of the year	1,333,308	2.00	2,767,973	2.00



For options outstanding at the end of the current year, the exercise price was Rs. 2 (March 31, 2009 – Rs. 2) and the weighted average remaining contractual life is 4.71 years (March 31, 2009 – 5.63 years).

No options were granted during the current year. The weighted average fair value of options granted during the previous year ended March 31, 2009 was Rs. 444.

For the options that were exercised during the current year, the weighted average share price on the date of exercise was Rs. 93.01 (March 31, 2009 – Rs. 423).

#### 10.5 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 in May 2000. 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. Each ADS represents two equity shares of Rs. 2 each fully paid up. These RSUs vest over a period of 1-4 years from the date of the grant. The maximum time available to exercise the options upon vesting is five years from the date of vesting. As at March 31, 2010, 159,734 (March 31, 2009 – 18,687) RSUs (ADS) representing 319,468 (March 31, 2009 – 37,374) equity shares of Rs. 2 each have been allotted to the associates under ASOP – RSUs (ADS).

Accordingly, options (net of cancellation) for a total number of 233,060 (March 31, 2009 – 495,175) ADS representing 466,120 (March 31, 2009 – 990,350) equity shares of Rs. 2 each were outstanding as at March 31, 2010.

Changes in number of options outstanding and their weighted average exercise price were as follows:

Particulars	For the year ended March 31,			
	2010		2009	
	No. of options	Weighted average exercise price (Amount in Rs.)	No. of options	Weighted average exercise price (Amount in Rs.)
At the beginning of the year	495,175	4.00	249,715	4.00
Granted	10,182	4.00	282,263	4.00
Exercised	(141,047)	4.00	(10,967)	4.00
Forfeited	(131,250)	4.00	(25,836)	4.00
Lapsed	-	-	-	-
At the end of the year	233,060	4.00	495,175	4.00

For options outstanding at the end of the current year, the exercise price was Rs. 4 (March 31, 2009 – Rs. 4) and the weighted average remaining contractual life is 5.23 (March 31, 2009 – 5.91) years.

The weighted average fair value of options granted during the current year was Rs. 178.61 (March 31, 2009 – Rs. 1,027).

For the options that were exercised during the current year, the weighted average unit price on the date of exercise was Rs. 250.50 (March 31, 2009 – Rs. 1,020).

The following assumptions were used for calculation of fair value of grants:

#### ASOP A plan:

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Exercise price	Nil	Rs. 1,409 – Rs. 1,701
Grant date share price	Nil	Rs. 398.90
Dividend yield (%)	Nil	0.78% – 0.68%
Expected volatility (%)	Nil	40.51% – 55.57%
Risk-free interest rate (%)	Nil	8.12%
Expected term (in years)	Nil	0.04 – 2.04 years

**ASOP B plan:**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Exercise price	Rs. 104.25 – Rs. 109.65	Nil
Grant date share price	Rs. 101.80 – Rs. 102.10	Nil
Dividend yield (%)	0.56% – 0.92%	Nil
Expected volatility (%)	83.78% – 108.86%	Nil
Risk-free interest rate (%)	7.75%	Nil
Expected term (in years)	3.5 – 6.5 years	Nil

**ASOP ADS plan:**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Exercise price	Rs. 245.39 – Rs. 257.81	Nil
Grant date share price	Rs. 235.72 – Rs. 241.37	Nil
Dividend yield (%)	0.56% – 0.92%	Nil
Expected volatility (%)	103.97% – 135.24%	Nil
Risk-free interest rate (%)	7.75%	Nil
Expected term (in years)	3.5 – 6.5 years	Nil

**ASOP RSU plan:**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Exercise price	Nil	Rs. 2
Grant date share price	Nil	Rs. 459
Dividend yield (%)	Nil	0.87% – 1.10%
Expected volatility (%)	Nil	37.17% – 43.57%
Risk-free interest rate (%)	Nil	8.12%
Expected term (in years)	Nil	3.5 – 6.5 years

**ASOP RSU-ADS plan:**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Exercise price	Rs. 4	Rs. 4
Grant date share price	Rs. 171.31	Rs. 1,012 – Rs. 1,063
Dividend yield (%)	0.56%	0.87% – 1.10%
Expected volatility (%)	133.62%	39.26% – 49.17%
Risk-free interest rate (%)	7.75%	8.12%
Expected term (in years)	3.5 years	3.5 – 6.5 years

**Satyam BPO**

In April 2004, the subsidiary established its Employee Stock Option Plan (ESOP) to be issued to its employees. The exercise price is equal to the fair market value on the date of the grant. The grants 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 the remaining 33.34% in the fourth year from the date of the grant. Upon granting, they are subject to a lock-in-period of one year.

During the current year, the options outstanding have been cancelled. As at March 31, 2009, 639,750 options, net of cancellation, at weighted average exercise price of Rs. 80 being the fair market value per share were outstanding.



Changes in number of options outstanding were as follows:

Particulars	For the year ended March 31,	
	2010	2009
At the beginning of the year	639,750	639,750
Granted	-	-
Exercised	-	-
Forfeited	-	-
Lapsed	-	-
Cancelled	(639,750)	-
At the end of the year	-	639,750

#### 11. Share application money pending allotment

The amount received from the associates on exercise of stock options is accounted as Share Application Money Pending Allotment. Upon allotment, the amount received corresponding to the shares allotted against the options exercised is transferred to Share Capital and Securities Premium Account (if applicable) and Fringe Benefit Tax (if applicable) recovered from associates. An amount of Rs. 575,320 is outstanding as at March 31, 2010 (as at March 31, 2009 - Rs. 304,316) representing amounts received from associates of the Company on exercise of stock options towards face value, securities premium and Fringe Benefit Tax recovered by the Company from the associates, pending allotment of shares.

#### 12. Accounting for fixed assets/depreciation – Company

##### 12.1 Prior period adjustments in the previous year ended March 31, 2009 relating to fixed assets and depreciation

During the previous year ended March 31, 2009, certain errors were identified relating to capitalisation of fixed assets and computation of depreciation done in the past. Accordingly, the Company rectified the accounting for the capitalisation of such fixed assets acquired in prior years and also re-computed the depreciation on the basis of the information available with the Management. On account of the same, assets amounting to Rs. 3,556 Million were capitalised and disclosed as part of adjustments to the gross block in Schedule 4 during the previous year ended March 31, 2009. Also, depreciation to the extent of Rs. 678 Million was provided during the previous year ended March 31, 2009 relating to the years prior to 2008-2009 and was disclosed as part of prior period adjustments (Refer Note 3.3(iii) of Schedule 18).

##### 12.2 Additional/accelerated depreciation

The Management carried out a detailed review of certain fixed assets as per the fixed assets register and after duly considering the usability and technical obsolescence of the same, provided for additional/accelerated depreciation to the extent of Rs. 29 Million (March 31, 2009 - Rs. 47 Million) in the financial statements.

##### 12.3 Land

- (i) In respect of its land at Hyderabad, the Company entered into an agreement with the Government of Andhra Pradesh (GoAP) for the purchase of land. The agreement is covered under the Information and Communications Technology (ICT) Policy 2002-2005 of the Information Technology & Communications department of GoAP. Pursuant to the same, the Company is eligible for the incentives, concessions, privileges and amenities applicable to Mega Projects in terms of the said policy and also certain other incentives as specified in the agreement entered into with GoAP.

As per memorandum of understanding (MOU) & other agreements, entered into by the Company, the Company has acquired the land from the GoAP. During the previous year ended March 31, 2009, the Company has accounted for the eligible grant amounting to Rs. 96 Million towards the basic cost of the land on acquisition which was adjusted to the cost of the land as per the books of account in accordance with the accounting policy followed by the Company. In order to avail the said rebate, the Company has furnished bank guarantees aggregating to Rs. 96 Million which is outstanding as at March 31, 2010. There are no other outstanding obligations in respect of the said MOU as at March 31, 2010 and March 31, 2009.

- (ii) The Company had also purchased land from Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC) in Vishakhapatnam for a total cost of Rs. 50 Million. There are certain disputes with respect to the land purchased by the Company in Kapulupadda village, Vishakhapatnam admeasuring about 50 acres wherein the above land has been earmarked to the Indian Navy. GoAP vide its G.O. No. 1439 dated December 4, 2008, has ordered the District Collector, Vishakhapatnam to allot alternate land, by withdrawing the land to an extent of 25 acres from the Police Department and also to an extent of 25 acres from the Vishakhapatnam Urban Development Authority. The Company has requested for obtaining the allotment letters. The Management is confident that the said lands will be allotted in favour of the Company and, accordingly, the amount of Rs. 50 Million is included in Capital Advances (under Capital Work in Progress) as at March 31, 2010 and March 31, 2009.

##### 12.4 Accounting for vehicle loans

The Company has an Associate Car Purchase scheme, as per which the Company purchases cars which are provided to the associates for their use. The Company finances the purchase of the cars by obtaining loans from various banks / others and the equated monthly installments are reduced from the gross salaries of the associates. On completion of the term of the loan, the cars are transferred to the associates. As at March 31, 2010, the gross original cost and the net book value of the vehicles provided to the associates under the scheme aggregates to Rs. 443 Million (March 31, 2009 Rs. 654 Million) and Rs. 187 Million (March 31, 2009 Rs. 382 Million), respectively.

Though the vehicles provided to the associates by the Company need to be accounted for as a finance lease in accordance with Accounting Standard 19 (AS 19) – Leases, the Company could not carry out the required adjustments in the absence of all the required information to give effect to the same in the financial statements in respect of the current and prior periods. The Management believes that, taking into account the overall results and value of the fixed assets, the impact due to the non-application of AS 19 for such transactions would not be material to the financial statements.

#### 12.5 Termination of asset purchase agreement

On August 6, 2008, the Company had entered into an Asset Purchase Agreement ('APA') and revenue agreement with one of its customers. The acquisition was for a total consideration of USD 60 Million (equivalent to Rs. 2,520 Million) comprising initial payment of USD 10 Million (equivalent to Rs. 420 Million) and USD 50 Million (equivalent to Rs. 2,100 Million) in the form of promissory notes. The promissory notes were payable as follows:

- i. USD 10 Million (equivalent to Rs. 420 Million) on October 4, 2008;
- ii. USD 20 Million (equivalent to Rs. 840 Million) on December 20, 2008; and
- iii. USD 20 Million (equivalent to Rs. 840 Million) on the expiry of two years of the asset purchase agreement.

On November 14, 2008, the Company paid USD 10 Million (equivalent to Rs. 420 Million) which was originally due on October 4, 2008.

On January 15 and 22, 2009, consequent to the letter by the erstwhile Chairman, the customer served a notice on the Company terminating the APA and the revenue agreement with the customer and demanded the return of all the intellectual properties conveyed to the Company under the APA as well the immediate payment of the balance unpaid amount of USD 40 Million (equivalent to Rs. 1,680 Million) due under the promissory note.

In June 2009, the Company and the customer entered into a formal agreement to terminate the APA. Based on the termination agreement, the Company is not liable to make the balance payment of USD 40 Million (equivalent to Rs. 1,680 Million) and is required to return all the assets received under the APA. The amount already paid by the Company of USD 20 Million (equivalent to Rs. 840 Million) to the customer has been forfeited.

Pursuant to the above, necessary adjustments have been made in the financial statements for the previous year ended March 31, 2009 based on the termination notice issued by the customer.

#### 12.6 Status of infrastructure projects

The Company had commenced its infrastructure projects in various places like Hi-Tech city (SEZ Unit), Chennai and STC Properties, with an initial budget estimates of Rs. 11,887 Million and has incurred Rs. 3,130 Million as at March 31, 2009 towards the same. Due to global recession and economic slowdown, these projects were put on hold during the period October/November 2008. During the current year, the Company resumed certain projects (Hi-Tech City – December 2009/January 2010 & Chennai – March 2010) with modifications to the original plans and the Company is in the process of resuming the other projects. Taking into account the future plans, the Management is of the opinion that there are no indications of impairment with respect to these projects and, hence, no provision/adjustment is required to be made in the financial statements.

#### 12.7 Accounting for Enterprise Resource Planning (ERP) software

The Company entered into an agreement for purchase of an ERP software on March 31, 2008 aggregating to Rs. 451 Million, which was not accounted as at March 31, 2008. During the previous year ended March 31, 2009, the Company has accounted for this amount of Rs. 451 Million under Capital work in progress pending use and installation of the software and has also created an impairment provision as at March 31, 2009 since the Management has not finalised its plan for implementation of the ERP software. Further, the AMC charges amounting to Rs. 54 Million claimed by the ERP vendor pursuant to the above purchase has not been accounted by the Company since the software has not been installed/put to use and no maintenance service has been rendered.

#### 12.8 Physical verification of fixed assets

During the current year, the Company has conducted a physical verification of a substantial part of its fixed assets using the services of an external consultant, the net impact of which is Rs. 2 Million written off in the Profit and Loss account. In the absence of adequate complete information, the Company was unable to roll back the differences between the books of account and the data as per the physical verification to prior periods, and, hence these were accounted during the current year.

*(Rs. in Million)*

Shortage	Gross value	Accumulated Depreciation	Write-off
Plant & Machinery	1,867	1,865	2

### 13. Subsidiaries

- 13.1** The Company had in the year ended March 31, 2008, acquired 50% of equity in C&S System Technology Private Limited (formerly CA Satyam ASP Private Limited) ('CA Satyam') for a consideration of Rs 72 Million. During the previous year ended March 31, 2009, pursuant to the Share Purchase Agreement dated April 30, 2008 entered into by the Company with Computer Associate Satyam JV Corporation, United States, the Company acquired the balance 50% equity held by Computer Associate Satyam JV Corporation in CA Satyam for a total consideration of Rs. 56 Million and hence, CA Satyam became a subsidiary of the Company with effect from September 25, 2008. The total consideration was paid in equal installments of Rs. 28 Million each on September 25, 2008 and December 15, 2008. Pursuant to the acquisition of the shares by the Company, CA Satyam was renamed as C&S System Technology Private Limited.





- 13.2** On October 23, 2007, the Company announced its intention to acquire 100% of the shares of Nitor Global Solutions Ltd, United Kingdom ("Nitor"), a company specialised in the Infrastructure Management Services (IMS) space. The total consideration for this acquisition was approximately GBP 2.76 Million (equivalent to Rs. 224 Million) including a performance-based payment of up to GBP 1.30 Million (equivalent to Rs. 102 Million) over two years conditional upon specified revenue and profit targets being met. The Company paid an initial consideration of GBP 1.46 Million (equivalent to Rs. 122 Million) on January 04, 2008. During the previous year ended March 31, 2009, the Company paid a further consideration of GBP 0.57 Million (equivalent to Rs. 46 Million) towards R&D comprising earn out of GBP 0.07 Million (equivalent to Rs. 6 Million) on August 14, 2008, first year earn out of GBP 0.30 Million (equivalent to Rs 22 Million) on December 10, 2008 and a final payment of GBP 0.20 Million (equivalent to Rs.15 Million) on March 26, 2009. These payments made during the previous year was recognised as goodwill and with these payments, the Company fulfilled all obligations towards this acquisition agreement.
- 13.3** 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 GBP 7.05 Million (equivalent to Rs. 624 Million) (inclusive of acquisition costs) and a deferred consideration of GBP 1.75 Million (equivalent to Rs. 136 Million). The Company was also required to pay a maximum earn out consideration aggregating to GBP 2.25 Million (equivalent to Rs. 184 Million) based on achievement of targeted revenues and profits and Employee Benefit Trust (EBT) contribution of GBP 0.9 Million (equivalent to Rs. 80 Million).
- On June 29, 2006, the Company acquired the remaining 25% shareholding for a consideration of GBP 3.26 Million (equivalent to Rs. 275 Million) and a maximum earn-out consideration of GBP 3.54 Million (equivalent to Rs. 289 Million) based on achievement of targeted revenues and profits and a maximum EBT contribution of GBP 1.80 Million (equivalent to Rs. 147 Million) contingent on Citisoft achieving certain revenue and profit performance targets. The Company paid GBP 0.08 Million (equivalent to Rs. 7 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 GBP 1.74 Million (equivalent to Rs. 143 Million) and payment towards EBT of GBP 0.08 Million (equivalent to Rs. 7 Million) was 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 was paid in July 2007 and the payment was recognised as cost of investment by the Company.
- During the previous year ended March 31, 2009, the Company adjusted the cost of investment in Citisoft for an amount of Rs. 15 Million on account of incorrect application of an exchange rate for accounting the acquisition in the prior years.
- 13.4** During October 2005, the Company acquired Knowledge Dynamics Pte Ltd ('KDPL Singapore'), 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, Singapore for a consideration of SGD 5.52 Million (equivalent to Rs. 146 Million) (inclusive of acquisition costs) and a maximum earn out consideration of SGD 1.84 Million (equivalent to Rs 49 Million) 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, Singapore 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 SGD 1.11 Million (equivalent to Rs. 30 Million) was paid by the Company in July 2007. In addition to the exit consideration the Company agreed to make a deferred payment of SGD 0.37 Million (equivalent to Rs. 10 Million) payable by May 15, 2008. The exit consideration and deferred payment was recognised as goodwill during the previous year ended March 31, 2009. Further, the Company agreed to make a maximum earn-out payment of SGD 0.74 Million (equivalent to Rs. 21 Million) on or before May 15, 2008. The actual amount of earn-out payment made during 2008-09 based on the revenue of KDPL, Singapore for the year 2007-08 was SGD 0.34 Million (equivalent to Rs 11 Million).
- 13.5** On January 21, 2008, the Company entered into a definitive purchase agreement to acquire 100% of the membership interests of Bridge Strategy Group, LLC ('Bridge'), a Chicago based strategy and general management consulting firm, for total cash consideration of up to USD 35 Million (equivalent to Rs. 1,489 Million) to be paid over 2.5 years, comprising upfront consideration of USD 19 Million (equivalent to Rs. 761 Million) payable on consummation of the transaction, deferred non-contingent consideration of USD 8 Million (equivalent to Rs 321 Million) payable in August 2009 and contingent consideration of USD 8 Million (equivalent to Rs 407 Million) payable in October 2010. The contingent consideration is payable to the selling shareholders on satisfaction of conditions prescribed in the Membership Interest Purchase Agreement, entered into with the selling shareholders.
- The transaction was consummated on April 4, 2008 and the upfront consideration of USD 19 Million (equivalent to Rs. 761 Million) was paid. Further, the deferred non-contingent consideration mentioned above of USD 8 Million (equivalent to Rs. 321 Million) was paid to the selling shareholders during the current year in August 2009. During the previous year, the Company accounted for an amount of USD 27 Million (equivalent to Rs. 1,082 Million), representing the upfront consideration and deferred non-contingent consideration, as cost of investment in the books of account.
- On February 12, 2009, the key executives of Bridge served a notice on the Company that they had "Good Reason", as defined in the purchase agreement and each of their employment agreements, to terminate their employment with Bridge and retain all rights to receive payment of the then unpaid portion of the purchase consideration.

### RSUs

Pursuant to employment agreements entered into by Bridge with each of the key executives of Bridge at the closing of the acquisition, in July 2008 and July 2009, the Company issued a total number of 235,121 RSUs to these key executives having an aggregate value at the time of issuance of USD 6 Million, and subject to vesting terms as set forth in the agreements entered into with each such key executive.

In the notice served by the key executives of Bridge on February 12, 2009, the key executives demanded cash payment of USD 6 Million in lieu of RSUs issued to them.

Currently, the Company is under discussion with the key executives of Bridge for an amicable settlement.

- 13.6** During the previous year ended March 31, 2009, Nitor Global Solutions Limited ("Nitor"), one of the subsidiaries of the Company, entered into an agreement dated April 21, 2008 with the shareholders of S&V Management Consultant NV, Belgium ("S&V") for the purchase of 100% of the shares held by them in S&V for a total consideration of EUR 22.50 Million, comprising of initial consideration, deferred payment and conditional payments over a period of 3 years from the date of the agreement.

On December 11, 2008, the Company invested an amount of Rs. 1 Million in a new subsidiary incorporated in Belgium, namely, Satyam Computer Services Belgium BVBA ("Satyam Belgium"), primarily for the purpose of acquiring the shares in S&V as mentioned below.

Pursuant to an agreement dated October 9, 2008 between Nitor, the selling shareholders of S&V and Satyam Belgium, all the rights and obligations of Nitor were transferred to Satyam Belgium.

- 13.7** The details of current investments purchased and sold during the year are given below:

Fund Name	Purchased		Sold
	Units	Rs in million	Units
HDFC Cash Management Fund Treasury Advantage Plan	46,525,685	902	46,525,685
ICICI Prudential Flexible Income Plan Premium Growth	62,039,048	1,021	62,039,048
Kotak Floater Long Term Growth	48,898,839	686	48,898,839
Reliance Money Manager Fund Institutional Option – Growth Plan	609,869	735	609,869
IDFC Money Manager – Treasury Plan C Super Institutional Plan C Growth	100,934,061	1,059	100,934,061
LIC MF Income Plus Fund Growth Plan	43,829,448	524	43,829,448
Birla Sun Life Savings Fund Institutional - Daily Dividend Reinvestment	72,450,734	725	72,450,734
Birla Sun Life Savings Fund Institutional Growth	75,741,217	1,282	75,741,217
DWS Ultra Short Term Fund - Institutional Growth	139,325,281	1,450	139,325,281
Fortis Money Plus Institutional Growth	44,795,300	597	44,795,300
TFLG TATA Floater Fund - Growth	93,950,349	1,250	93,950,349
Templeton India Ultra Short Bond Fund - Super Institutional Plan - Growth	87,209,049	1,000	87,209,049
UTI Treasury Advantage Fund - Institutional Plan - Growth Option	834,840	1,000	834,840

### 13.8 Impairment of Goodwill

During the years ended March 31, 2010 and March 31, 2009, based on reports received from independent professional agencies, the Management assessed the operations of the subsidiaries, including the future projections, to identify indications of impairment in the amount of goodwill recorded in the books of account and, accordingly, made the following provisions:

Name of the Subsidiary	(Rs. in Million)	
	For the year ended March 31, 2010	For the year ended March 31, 2009
Satyam BPO Limited	-	1,988
Knowledge Dynamics Pte. Ltd.	-	171
Nitor Global Solutions Limited	-	126
Bridge Strategy Group LLC	-	1,039
Satyam Technologies Inc	-	141
Citisoft Plc	-	613
Satyam Computer Services Belgium, BVBA	132	1,053
<b>Total</b>	<b>132</b>	<b>5,131</b>



## **14. Accounting for revenue and debtors – Company**

### **14.1 Sundry debtors**

- (i) Sundry Debtors as at March 31, 2010 is net of unapplied receipts aggregating Rs. 5,652 Million (March 31, 2009 - Rs. 6,956 Million). Based on invoice wise details for the collections aggregating Rs. 3,271 Million (March 31, 2009 - Rs.6,000 Million) received from the customers subsequent to the year end, the Company has adjusted the collections against the invoices. In respect of the balance amount of Rs. 2,381 Million (March 31, 2009 - Rs. 956 Million), the adjustment has been done based on the Management's assessment.
- (ii) Classification of Sundry Debtors as debts outstanding for a period exceeding six months/others has been done by the Company based on the information available with the Management duly considering the date of the invoices/outstanding amounts as per the books of account and after adjusting for the unapplied receipts as mentioned above.
- (iii) The Management has made an assessment of the recoverability of debts outstanding as at March 31, 2010. Based on such assessment, provision for doubtful debts aggregating to Rs. 4,411 Million (March 31, 2009 - Rs. 4,046 Million) has been made in the books of account as at March 31, 2010 resulting in a charge of Rs. 365 Million (March 31, 2009 - Rs. 2,626 Million) to the Profit and Loss account. Such provision has been made by the Company primarily based on Management's assessment regarding the realisability of the outstanding amounts, adjusted for the unapplied receipts as mentioned above, duly taking into account the subsequent collections.

### **14.2 Accounting for contracts under percentage completion method**

Revenue from fixed-price engagements require appropriate estimation of the eligible costs which include salaries and related expenses of technical employees, related communication expenses, travel costs, etc. Revenue and the related costs for these projects are recognised on the percentage of completion method as per the accounting policy of the Company, 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.

During the previous year, the Company noted various discrepancies in the application of the percentage of completion method in the prior years. Further, the Company does not possess all the required documentation to support the initial estimates used/ revision in estimates which would have formed the original basis of application of the percentage completion method. Hence, the Company accounted for the revenue from fixed price engagements for the previous year ended March 31, 2009 using significant Management estimates in respect of costs and hours expected to be incurred based on current information available, subsequent developments etc in respect of such contracts to arrive at the percentage of completion as at the closing Balance Sheet date of March 31, 2009 as well as at the opening balance date as at April 1, 2008. This methodology has been used by the Company for the purpose of revenue recognition for the current year also. In the opinion of the Management, the use of such estimates/ subsequent information should not result in a material adjustment to the financial statements of the Company.

### **14.3 Unbilled revenue**

As per the practice followed by the Company, the Company accounts for unbilled revenue based on all services rendered up to the Balance Sheet date in advance of billing as per the terms of the contracts. The Management analysed all such services rendered during the year remaining unbilled as at the Balance Sheet date as well as those services relating to the current year/prior periods billed subsequently to ensure proper cut-off and the required adjustments have been carried out in the financial statements of the Company based on the available information.

The Management has also identified cases where there are losses expected in the execution of certain projects of the Company. Losses arising on account of such contracts have been estimated based on a detailed analysis done by the Management taking into account the information available with the Company and the future obligations of the Company.

Accordingly, a provision for such contract losses to the extent of Rs. 118 Million (March 31, 2009 - Rs. 443 Million) has been made as at March 31, 2010.

Consequently, unbilled revenue of Rs. 4,305 Million (net of provision for anticipated losses) has been recognised as at March 31, 2010 (March 31, 2009 Rs. 2,782 Million).

During the previous year, total amount of Rs.3,048 Million of revenue relating to prior years have been accounted as revenue, which was disclosed under prior period adjustments in the Profit and Loss account. Refer Note 3.3(iii) of Schedule 18.

### **14.4 Accounting for multiple deliverables and obligations of the Company**

Some of the revenue contracts of the Company contain various clauses as per which more than one deliverable is to be provided to the customers. For example, the contracts provide for deliverables like certain special benefits, supply of hardware equipments/software licenses etc in addition to the services to be rendered.

Similarly, with respect to the services rendered, the Company has certain obligations towards the customers as per the terms of the contracts such as right of refunds, discounts, service credits, etc.

The Company has accounted for the above referred multiple elements in the revenue contracts based on and to the extent of the information available/compiled by the Management.

### **14.5 Accounting for hardware equipments and other items**

As mentioned in Note 14.4 of Schedule 18, some of the contracts with the customers involve the supply of hardware equipments and other items by the Company. The Company has accounted for the purchase of hardware equipments and other items under Cost of Hardware Equipments and Other Items Sold and has accounted for the sale of such items under Sale of Hardware Equipments and

Other Items. Unsold items of hardware equipments and other items are disclosed as Inventory as at the year end.

The Company has not maintained proper records of its inventories during the year though the required adjustments to account for the inventory in the books of account were made based on the available information with the Management as at the year end.

#### 14.6 Post contract services/warranties

As per the terms of the contracts, the Company provides post contract services/warranty support to some of its customers. The Company did not have adequate documentation in respect of historical information on the amount incurred by the Company towards such costs incurred. In the absence of the required information, the Company has accounted for the provision for warranty/post contract support on the basis of the information available with the Management duly taking into account the current technical estimates. Refer Note 31.1 of Schedule 18.

#### 14.7 Unearned revenue adjustments

An amount of Rs. 854 Million (March 31, 2009 - Rs. 941 Million) (including Rs. 240 Million relating to prior years – Refer Note 3.3(iii) of Schedule 18) originally accounted as part of unearned revenue has been transferred to revenue during the year ended March 31, 2010 based on Management's assessment, in the absence of all the required documentation.

#### 14.8 Accounting for credit notes issued to customers

As per the practice followed by the Company, credit notes are issued to customers on account of double count of efforts/incorrect rates used, penalties, etc., in respect of invoices raised earlier, as and when such instances are noted/identified. During the previous year ended March 31, 2009, the Management analysed all such credit notes raised during the year as well as those issued subsequently to ensure proper cut-off and the required adjustments were carried out in the financial statements.

In this respect, credit notes for a total amount of Rs.1,680 Million relating to prior years were adjusted against revenue during the previous year ended March 31, 2009, which was disclosed under prior period adjustments in the Profit and Loss account. Refer Note 3.3(iii) of Schedule 18.

#### 14.9 Reimbursements/ recoveries from customers

As per the practice followed by the Company, reimbursements/ recovery received/ receivable from customers are accounted for based on invoices raised on customers. As per the system followed by the Company, the expenses are charged off to the Profit and Loss account as and when incurred and the reimbursements/ recoveries are credited to the Profit and Loss account as and when invoiced on the customers.

The Management carried out an analysis of all such reimbursements/ recoveries of expenses received/receivable during the year and the required adjustments for the reimbursements/recoveries from customers were carried out in the financial statements based on the information available.

#### 14.10 Accounting for a specific loss contract

The Company during the previous year ended March 31, 2009 entered into a Master Service Agreement with one of the customers for providing services relating to Core Banking Solutions. As per the agreement, the Company was required to supply the customer with various hardware equipments and software components, networking equipments, etc.

The Company entered into a novation agreement with the customer as per which it was decided to handover all the hardware equipments, software licenses and network equipments, etc., procured by the Company for this project and all liabilities/claims whatsoever from either party would stand extinguished pursuant to the same. Based on the novation agreement with the customer, the Management estimated a cumulative loss towards the contract to the extent of Rs. 622 Million as at March 31, 2010 comprising of Rs. 481 Million (Rs. 11 Million for the current year and Rs. 470 Million for the previous year ended March 31, 2009) incurred towards the Inventory of hardware equipments, software licenses and network equipments etc and Rs. 141 Million towards unbilled efforts accounted (Rs. Nil for the current year and Rs. 141 Million for the previous year ended March 31, 2009).

The amount of Rs. 481 Million has been accounted for by way of adjustment of Net Realisable Value (NRV) of Inventories in the respective years and the balance amount of Rs. 141 Million has been accounted for as an allowance towards unbilled revenue as at March 31, 2009.

### 15. Liabilities/ provisions no longer required written back

During the previous year, the Management wrote back excess liabilities and provisions amounting to Rs. 248 Million made in the earlier years which, in the opinion of the Management, were no longer required to be carried in the books of account as at March 31, 2009. The details of the amounts written back are as under:

	<i>(Rs. in Million)</i>
<b>Particulars</b>	<b>Year ended March 31, 2009</b>
Reversal of Excess Provision for Sales Commission	173
Reversal of Excess Provision for Personnel costs	46
Others	29
<b>Total</b>	<b>248</b>



## 16. Accounting for transactions with an international sports federation

The Company had entered into an agreement with an international sports federation (the federation) in the financial year 2007-08 pursuant to which the Company was granted various sponsorship rights in respect of the events conducted by the federation to be held in 2009, 2010, 2013 and 2014. As per the agreement, the Company was also to render various IT related services to the federation towards its events in its capacity as the "Official IT Service Provider" to the federation.

Based on the terms of the agreement, the Company was required to discharge the consideration for sponsorship rights partly in the form of cash and partly in the form of services in lieu of cash ("Value in Kind"). The Management believes that the sponsorship payments are in the nature of an intangible item since these are predominantly for the purpose of advertising and promotion and hence, the same were expensed as incurred in the respective years. During the current year, the sponsorship charges amounting to Rs. 76 Million (March 31, 2009 – Rs. 102 Million) were expensed off to the Profit and Loss account under the head Marketing Expense. During the previous year ended March 31, 2009 sponsorship charges relating to years prior to 2008-2009 amounting to Rs. 40 Million were accounted under prior period adjustments in the Profit and Loss account. Refer Note 3.3(iii) of Schedule 18.

Further, the Company during the current year recognised an amount of Rs. 607 Million (March 31, 2009 - Rs. 404 Million (including prior period adjustments amounting to Rs. 19 Million)) (both invoiced and unbilled revenue) towards the services rendered by the Company to the federation and, in accordance with the agreement, an equivalent amount of Rs. 607 Million was accounted as provision for the Value in Kind sponsorship charges (March 31, 2009 – Rs. 404 Million (including prior period adjustments amounting to Rs. 103 Million)). Refer 3.3(iii) of Schedule 18.

As per the arrangement, the Company would pay this amount of Value in Kind sponsorship charges to the federation on receipt of the invoice from them. Subsequent to the same, the federation would pay back to the Company the amount of services invoiced by the Company. During the current year the amount of services rendered and the corresponding amount of provision for Value in Kind sponsorship charges were disclosed on a gross basis under the heads Income from Operations/ Prior Period Adjustments and Marketing Expenses/ Prior Period Adjustments in the Profit and Loss account with a corresponding amount accounted in Sundry Debtors and Sundry Creditors, respectively.

During the current year, the Company entered into a Memorandum of Understanding with the federation as per which the contractual obligations relating to the 2013 and 2014 events stand cancelled.

## 17. Residual dividend

During the year ended March 31, 2008, the Company had accounted for the proposed dividend and dividend tax thereon for the number of equity shares existing as on the records of the Company as at April 10, 2008. The dividend amounting to Rs. 7 Million and the related dividend tax amounting to Rs. 1 Million for the additional number of equity shares issued by the Company, pursuant to the ASOP Schemes, from April 11 to August 26, 2008, being the dividend record date for the final dividend for the year 2007-2008, has been accounted in the Profit and Loss account for the previous year.

## 18. Consolidation Adjustment Account

As at March 31, 2008, the Company's consolidated financial statements contained amounts for which complete details were not available. In the absence of full details relating to the same, consolidation was carried out based on the audited financial statements of the Company and its subsidiaries for the previous year ended March 31, 2009 and adjustment entries as detailed below have been recorded to reflect the position of the group as at March 31, 2009:

Particulars	<i>(Rs. in Million)</i> Amount
Transfer from Capital Reserve	7,685
Transfer from General Reserve	42
Transfer to Securities Premium Account	(109)
Transfer to Accumulated Profit and Loss account	(7,552)
Others	(66)
<b>Total (Net)</b>	<b>-</b>

## 19. Satyam BPO

### 19.1 Investigation by Regulatory Authorities:

Pursuant to the matters stated in Note 3 of Schedule 18, the SFIO had conducted an inspection and issued notices to the subsidiary calling for certain information u/s 209A of the Companies Act, 1956 on January 14, 2009. The subsidiary replied to the said notice on January 16, 2009.

The ED had also conducted an inspection and issued a notice to the subsidiary calling for certain information on February 10, 2009. The subsidiary replied to the said February 11, 2009.

Subsequently, there is no further communication/enquiry from the above regulatory authorities. While the Management does not foresee any impact on the financial statements on account of the above at this juncture, addition adjustment, if any, as a result of such enquiry shall be adjusted upon completion of such enquiry.

### 19.2 Provision for doubtful debts and advances:

During the previous year ended March 31, 2009, after making a detailed assessment of the dues receivable by the subsidiary, the following provisions were made:

- (a) Provision made for Rs. 988 Million in respect of debts outstanding as at March 31, 2009 in view of the inadequacy of evidence to demonstrate its recoverability.
- (b) The subsidiary has made a provision for Rs. 68 Million towards advances as at March 31, 2009.
- (c) The subsidiary has made a provision for Rs. 5 Million towards lease rental deposit as at March 31, 2009.

**19.3** During the previous year ended March 31, 2009, personnel costs included incentives paid to former Chief Executive Officer (CEO) and Chief Financial Officer (CFO) during the months of September 2008 and October 2008, respectively, after obtaining the requisite recommendation by remuneration committee of board of directors of the subsidiary and approvals of the board of directors of the subsidiary.

**20. Satyam Venture Engineering Services**

- (i) Accounting for sales commission

As stated in Note 6.11 of Schedule 18, SVES was incorporated as a joint venture between the Company and VGE. In this regard, the Company and VGE entered into a shareholder's agreement which was incorporated as part of the Articles of Association of SVES. SVES further entered into two separate agreements with the Company and VGE setting out the terms and conditions relating to the payment of sales commission which is in line with clause 6.06 of the shareholder's agreement.

Pending the final outcome of the dispute between the Company and VGE as stated in Note 6.11 of Schedule 18, SVES has continued to accrue for the liability towards sales commission payable to VGE, which is disclosed under Sundry Creditors in the financial statements. Adjustments, if any, arising out of the dispute between the promoters will be made on final disposal of the legal proceedings.

- (ii) Investigation by authorities

As stated in Note 3 of Schedule 18, the affairs of the Company are being investigated by various agencies. In this regard, during the course of investigation on the Company, some authorities had visited SVES during the previous year ended March 31, 2009 and had taken copies/extracts of various records, documents and other information. As per the forensic investigators, there is no impact on account of such investigations on the financial results of SVES and the financial statements of the Company.

**21. C&S Satyam**

During the financial year 2006-2007, C&S System exited from the Gujarat and Maharashtra VRC Projects on October 28, 2006 by surrendering back the rights acquired from Shonkh Technologies International Limited (Shonkh) on certain terms and conditions agreed with them. C&S System has recovered the net book value of the fixed assets (Rs. 10 Million), deferred revenue and other such expenses incurred on VRC Projects (Rs. 32 Million) and recovery of advances due from Shonkh (Rs. 41 Million) and as such there is no impact on the Profit and Loss account of the past years. Further, under the exit terms, C&S System also has a right to receive Rs. 3 per card issued during the tenure of the Gujarat and Maharashtra Projects. As of the Balance Sheet date an amount of Rs. 80 Million (March 31, 2009 - Rs. 12 Million) is receivable from Shonkh which would be adjusted to that extent in the subsequent years against the foregoing recovery under the aforesaid right to receive Rs. 3 per card.

**22. Others**

Others comprises of various impairment and other loss provisions made in respect of the following subsidiaries:

**(Rs. in Million)**

Name of the Subsidiary	For the year ended March 31, 2010	For the year ended March 31, 2009
Satyam BPO Limited	1,674	1,856
Knowledge Dynamics Pte. Ltd.	-	26
Satyam Technologies Inc	-	28
Satyam Computer Services (Shanghai) Co. Limited	-	325
Satyam Computer Services (Nanjing) Company Limited	94	180
Nitor Global Solutions Limited	-	17
Satyam Computer Services (Egypt) S.A.E.	-	79
Citisoft Plc	-	26
Satyam Computer Services Belgium, BVBA	132	7
Satyam Venture Engineering Services	-	3
Bridge Strategy Group LLC	135	41
<b>Total</b>	<b>2,035</b>	<b>2,588</b>





**23. Auditors' Remuneration** (net of Service Tax Input Credit, where applicable) **(Including Other auditors)**

(Rs. in Million)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009 (Refer Notes (i) to (iii) below)
<b>Statutory auditor</b>		
Statutory audit fees	18@	57*
Tax audit fees	4	5
Other services	-	8
Reimbursement of expenses	-	2
<b>Auditors of subsidiaries</b>		
Statutory audit fees	11	5
Other services	-	5
<b>Total</b>	<b>33</b>	<b>82</b>

\* Including the Audit of Prior Period Items pertaining to the company.

@ The statutory audit fees for the Company is subject to the approval of the shareholders.

**Notes:**

- (i) The above amount excludes Rs. 64 Million [Previous year – Rs. 71 Million (fees and expenses)] accounted and paid to networked firms of the current statutory auditors towards forensic investigation prior to their appointment as statutory auditors.
- (ii) The above amount excludes Rs. 6 Million (Previous year – Rs. 1 Million) paid to networked firms of the current statutory auditors towards other services prior to their appointment as statutory auditors.
- (iii) The above amount for the previous year include Rs. 11 Million paid to the previous auditors.

**24. Government grants**

- 24.1** During the previous year ended March 31, 2009, the Company received a grant from Multimedia Development Corporation (an agent of the Government of Malaysia) in the form of fully-fitted premises and reimbursement of salary costs for establishment of global delivery center. The fully fitted premises received under the grant were recorded at nominal value under fixed assets. The reimbursement received/ receivable for the current year for salary costs of 2009-10 amounting to MYR 5.14 Million (equivalent to Rs. 71 Million) (March 31, 2009 MYR 18.34 Million (equivalent to Rs. 263 Million)) were accounted as Other Income during the current year.
- 24.2** The Company received a grant from the Ministry for Information and Communication Technology, Australia (the Ministry) aggregating to AUD 0.94 Million (equivalent to Rs.33 Million) towards reimbursement of salary costs for the period from July 2008 to September 2008 in the month of December 2008. Pending fulfillment of obligations under the agreement, the Company had not accounted the same as income during the previous year ended March 31, 2009 but accounted it as a liability as at March 31, 2009. During the current year, this amount has been refunded back to the Ministry in November 2009 since the agreement was terminated by the Ministry pursuant to non fulfillment of the conditions by the Company.
- 24.3** The Company received a non-monetary grant from Deakin University, Australia in the form of 25 acres of land in July 2008. During the current year, the agreement with Deakin University was terminated pursuant to non fulfillment of conditions by the Company and the land allotted has been surrendered back.
- 24.4** During the previous year ended March 31, 2009, Satyam Computer Services (Egypt) S.A.E. ('Satyam Egypt') received a non-monetary capital grant from Ministry of Communications and Information Technology, Arab Republic of Egypt for establishment of a development center in Cairo in the form of office infrastructure in December 2006. Satyam Egypt was entitled to other benefits i.e. reimbursement of certain salary costs, training and rental expenses and certain revenue commitments under the terms of the grant which were not received by Satyam Egypt due to non-fulfillment of terms and conditions of the grant. The infrastructure facilities received under the grant were recorded at nominal value under fixed assets.



**25. Employee Benefits**
**25.1 Gratuity**

The Gratuity plan of the Company and its subsidiaries situated in India is a defined benefit plan and is unfunded. The details of actuarial data with respect to Gratuity are given below:

	<i>(Rs. in Million)</i>	
<b>Detail of actuarial valuation</b>	<b>For the year ended March 31, 2010</b>	<b>For the year ended March 31, 2009</b>
<b>Change in benefit obligation</b>		
Projected benefit obligation as at year beginning	1,020	710
Current service cost	265	199
Interest cost	86	64
Actuarial (loss)/ gain	(287)	92
Benefits paid	(240)	(45)
<b>Projected benefit obligation as at year end</b>	<b>844</b>	<b>1,020</b>
<b>Amounts recognised in the Balance Sheet</b>		
Present value of obligation	844	1,020
Fair value of the plan assets at the year end	-	-
<b>Liability recognised in the Balance Sheet</b>	<b>844</b>	<b>1,020</b>
<b>Cost of defined benefit plan for the year</b>		
Current service cost	265	199
Interest on obligation	86	64
Actuarial (loss)/ gain	(287)	92
<b>Net cost recognised in the Profit and Loss account</b>	<b>64</b>	<b>355</b>
<b>Assumptions</b>		
Discount rate (% p.a.)	5.70% to 8.25%	5.40% to 7.95%
Future salary increase (% p.a.)	0% to 10%	0% for the first year and 10% thereafter
Mortality	LIC (1994-96)	LIC (1994-96)
Attrition (% p.a.)	2% to 18%	2% to 15%

**Notes:**

- (i) The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (ii) Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

**25.2 Compensated absences**

The key assumptions, as provided by an independent actuary, used in the computation of provision for compensated absences are as given below:

<b>Particulars</b>	<b>For the year ended March 31, 2010</b>	<b>For the year ended March 31, 2009</b>
Discount rate (% p.a.)	7.45%	7.00%
Future salary increase (% p.a.)	10%	0% for the first year and 10% thereafter
Mortality	LIC (1994-96)	LIC (1994-96)
Attrition (% p.a.)	18%	15%

**26. Segment reporting**

The Group has adopted AS 17, "Segment Reporting", which requires disclosure of financial and descriptive information about the Group's reportable operating segments. The operating segments reported below are the segments of the Group 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. The Group 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. The Company provides its customers the ability to meet all of their information technology needs from one service provider. The Company'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. The Company 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).

The Group's operating segment information for the year ended March 31, 2010 and 2009 are as follows:

## 26.1 Business segment

As at March 31, 2010

(Rs. in Million)

Description	For the year ended March 31, 2010			
	IT services	BPO	Elimination	Total
Sales to external customers	53,844	966	-	54,810
Inter Segment Sales	17	93	(110)	-
<b>Total revenue</b>	<b>53,861</b>	<b>1,059</b>	<b>(110)</b>	<b>54,810</b>
Segment result–Profit/(Loss)	577	(153)	-	424
Interest expense	269	60	-	329
Tax expense	222	-	-	222
Other Unallocable Expenditure (net)	-	-	-	1,112
<b>Profit/(loss) before extraordinary items and prior period adjustments</b>				<b>(1,239)</b>
Extraordinary items	-	-	-	-
Prior period adjustment	-	-	-	-
<b>Profit/(loss) before Minority Interest</b>				<b>(1,239)</b>
Minority Interest	-	-	-	7
<b>Profit/(loss)</b>				<b>(1,246)</b>
<b>Other segment information</b>				
Capital expenditure	306	27	-	333
Depreciation	2,002	142	-	2,144
Unallocated Corporate Depreciation	-	-	-	132
Non-cash expenses other than depreciation	3,510	28	-	3,538

### Particulars of segment assets and liabilities

(Rs. in Million)

Description	As at March 31, 2010			
	IT services	BPO	Elimination	Total
Segment Assets	33,482	764	(163)	34,083
Other Assets	2,613	-	(2,200)	413
Investments	6,268	-	-	6,268
Bank Deposits/Unclaimed Dividend Accounts	15,164	4	-	15,168
Deferred Tax Assets	65	-	-	65
<b>Total Assets</b>				<b>55,997</b>
Segment Liabilities	10,694	321	(163)	10,852
Loan Funds	421	2,201	(2,200)	422
Deferred Tax Liability	39	-	-	39
Other Liabilities	276	-	-	276
Provision for Taxation	3,721	-	-	3,721
Provision for Contingencies				4,750
Provision for Losses in Subsidiaries				4,623
<b>Total Liabilities@</b>				<b>24,683</b>

@ The above excludes Amount pending investigation Suspense Account (Net) amounting to Rs. 12,304 Million (Refer Note 6.1 of Schedule 18)

As at March 31, 2009

(Rs. in Million)

Description	For the year ended March 31, 2009			
	IT services	BPO	Elimination	Total
Sales to external customers	86,999	1,127	-	88,126
Inter Segment Sales	4	752	(756)	-
<b>Total revenue</b>	<b>87,003</b>	<b>1,879</b>	<b>(756)</b>	<b>88,126</b>
Segment result–Profit/(Loss)	(3,608)	(1,626)	-	(5,234)
Interest expense	400	221	-	621
Tax expense	1,583	7	-	1,590
Other Unallocable Expenses (Net)	-	-	-	11,873
<b>Profit/(loss) before extraordinary items and prior period adjustments</b>				<b>(19,318)</b>
Extraordinary items				-
Prior period adjustment				62,428
<b>Profit/(loss) before Minority Interest</b>				<b>(81,746)</b>
Minority Interest				22
<b>Profit/(loss)</b>				<b>(81,768)</b>
<b>Other segment information</b>				
Capital expenditure	9,130	44	-	9,174
Depreciation	3,045	218	-	3,263
Unallocated Corporate Depreciation				5,131
Non-cash expenses other than depreciation	16,720	1,098	-	17,818

**Particulars of segment assets and liabilities**

(Rs. in Million)

Description	As at March 31, 2009			
	IT services	BPO	Elimination	Total
Segment Assets	39,301	970	(223)	40,048
Bank Deposits/Unclaimed Dividend Accounts	449	2	-	451
Deferred Tax Assets	565	-	(500)	65
<b>Total Assets</b>				<b>40,564</b>
Segment Liabilities	16,605	365	(223)	16,747
Loan Funds	6,478	2,164	(500)	8,142
Deferred Tax Liability	48	-	-	48
Other Liabilities	168	-	-	168
Provision for Taxation	4,422	-	-	4,422
Provision for Contingencies	4,750	-	-	4,750
Provision for Losses in Subsidiaries	-	-	-	2,588
<b>Total Liabilities@</b>				<b>36,865</b>

@ The above excludes Amount pending investigation Suspense Account (Net) amounting to Rs. 12,304 Million (Refer Note 6.1 of Schedule 18)



## 26.2 Geographic segment

Revenue based on geography considering the location of customers/ultimate customers and compiled based on the information available with the Management is as follows:

Particulars	<i>(Rs. in Million)</i>	
	For the year ended March 31, 2010	For the year ended March 31, 2009
Americas	28,891	53,067
Europe	14,799	17,956
Asia Pacific	6,708	10,308
India	2,505	4,380
Rest of World	1,907	2,415
<b>Total</b>	<b>54,810</b>	<b>88,126</b>

Segment assets based on the location of customers/ultimate customers and compiled based on the information available with the Management are as follows:

For the year ended March 31, 2010:

Particulars	<i>(Rs. in Million)</i>	
	Segment Assets	Capital Expenditure
Americas	7,104	37
Europe	5,773	157
Asia Pacific	2,450	113
India	16,514	35
Rest of World	2,242	(9)
<b>Total</b>	<b>34,083</b>	<b>333</b>

For the year ended March 31, 2009:

Particulars	<i>(Rs. in Million)</i>	
	Segment Assets	Capital Expenditure
Americas	11,048	178
Europe	6,641	1,234
Asia Pacific	3,691	404
India	17,035	7,296
Rest of World	1,633	62
<b>Total</b>	<b>40,048</b>	<b>9,174</b>

## 27. Related Party Transactions

(i) The Group had transactions with the following related parties:

Name of the entity	Relationship
Venturbay Consultants Private Limited	Entity exercising significant influence w.e.f. May 05, 2009
Tech Mahindra Limited	Entity exercising significant influence w.e.f. May 05, 2009
Mahindra and Mahindra Limited	Entity exercising significant influence w.e.f. May 05, 2009 to March 22, 2010
Venture Engineering Services	Joint Venture Partner (Refer Note 6.11 of Schedule 18).
Satyam Foundation Trust	Enterprise where the Company is in a position to exercise control
Satyam Associate Trust	Enterprise where the Company is in a position to exercise control

**Key Management Personnel – Company:**
**2009 – 2010**

As mentioned in Note 4 of Schedule 18, the Central Government in January 2009 appointed the following 6 persons as Directors of the Company to administer the affairs of the Company until the acquisition by Venturbay (Refer Note 5 of Schedule 18):

**Name of the Director**

Mr. Kiran Karnik  
 Mr. Deepak S. Parekh  
 Mr. Tarun Das  
 Mr. S. B. Mainak  
 Mr. C. Achuthan  
 Mr. T. N. Manoharan

Subsequent to the acquisition by Venturbay in May 2009, the following persons were identified as the Key Managerial Personnel by the Board of Directors:

Name of the Person	Designation
Vineet Nayyar	Chairman
C. P. Gurnani	Whole Time Director and Chief Executive Officer

**2008 - 2009**

Name of the Person	Designation
B. Ramalinga Raju	Chairman (Refer Note 3.7 (i))
B. Rama Raju	Managing Director (Refer Note 3.7 (i))
Rammohan Rao Mynampati	President and Director (Refer Note 3.7 (i))

As on March 31, 2009, the Central Government appointed Board of Directors were administering the affairs of the Company until the acquisition by Venturbay.

Note:

During the current year, the Company has identified only those persons who, in the opinion of the Management, had the authority and responsibility for planning, directing and controlling the activities of the Company as Key Management Personnel.

(ii) Summary of the transactions and balances with the above related parties are as follows

**Transactions**

(Rs. in Million)

	For the year ended March 31,	
	2010	2009
Tech Mahindra Limited		
- Sales	143	-
- Others (Reimbursement received/(paid) (Net)	2	-
Mahindra and Mahindra Limited		
- Sales	1	-
- Others (Reimbursement received/(paid) (Net)	2	-
Services received from VGE & its affiliates	71	85
Sales to VGE & its affiliates	-	1
Contributions made to Satyam Foundation Trust	-	29
Remuneration paid to Key Managerial Personnel (net of recoveries)*		
B. Ramalinga Raju	-	2
B. Rama Raju	-	2
RamMohan Rao Mynampati	-	3
Rent Paid to Spouse of Key Managerial Personnel: Nil (Previous year Rs. 225,720 only)	-	-

\* Refer Note 8.1(i) of Schedule 18.



## Balances

(Rs. in Million)

	As at March 31,	
	2010	2009
Tech Mahindra Limited		
- Accounts receivable	87	-
- Accounts payable	15	-
Mahindra and Mahindra Limited		
- Accounts receivable	8	-
Payable to VGE and affiliates	286	236
Payable to Satyam Foundation	4	4
Receivable from VGE and affiliates	4	1
Receivable from ASOP Trust	32	32
Amount recoverable from Key Managerial Personnel*:		
- B. Ramalinga Raju	3	3
- B. Rama Raju	2	2
- RamMohan Rao Mynampati	18	18

\* Refer Note 8.1(i) of Schedule 18.

- Related party relationships are as identified by the Management and relied upon by the Auditors. Taking into account the forensic investigation and the information available with the Management, the Management believes that all the related parties of the Group have been identified and the transactions have been appropriately disclosed. However, there may be additional related parties whose relationship would not have been disclosed to the Group and, hence, not known to the Management.
- No options were granted to the Key Management Personnel during the current year. The options outstanding as at March 31, 2009 (514,860 (includes 496,110 options granted under ASOP – ADS and 18,750 options granted under ASOP – RSUs (ADS))) were cancelled during the year.
- The Company has given an interest free loan to Satyam Associates Trust amounting to Rs. 50 Million (Balance outstanding as at March 31, 2010 – Rs. 32 million) (March 31, 2009 – Rs. 32 million). The loan was provided by the Company in the prior years as a funding to the Trust for repayment of loans obtained by the Trust from external parties. As per the terms of understanding with the Trust, the loan is repayable by the Trust to the Company on receipt of the exercise price from the employees who have been allotted options under the ASOP-A scheme.

## 28. Leases

### (i) Termination of leases during the current year

During the current year, the Company terminated the agreements for 120 properties taken on rent and classified as operating leases. Out of these properties, 18 properties were taken on non-cancellable leases. The Company incurred Rs. 346 Million being additional consideration paid/forfeiture of rental deposits, to lessors on account of early termination. The furniture and fixtures in these properties belonging to the Company were sold/surrendered and the loss on account of sale/surrender is Rs. 153 Million.

The remaining properties that were taken on cancellable leases were surrendered by the Company by providing the requisite notice period to the lessor. The furniture and fixtures in these properties belonging to the Company were also sold/surrendered and the loss/gain on account of sale/surrender is Rs. 14 Million.

### (ii) Obligation on long term non-cancelable operating leases

The Group has entered into operating lease agreements for its development centers at offshore, onsite and off-sites 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 the respective agreements are as follows:

Particulars	(Rs. in Million)	
	Year ended March 31, 2010	Year ended March 31, 2009
Lease rentals (refer Schedule 16)	2,062	2,315

**Maximum obligations towards non-cancellable operating leases:**

Particulars	<i>(Rs. in Million)</i>	
	As at March 31, 2010	As at March 31, 2009
Not later than one year	400	1,158
Later than one year and not later than five years	501	2,465
Later than five years	13	434
<b>Total</b>	<b>914</b>	<b>4,057</b>

*(iii) Obligations towards finance leases (where the Group acts as lessee):*

Obligations towards finance leases	<i>(Rs. in Million)</i>	
	As at March 31, 2010	As at March 31, 2009
<b>Minimum lease payments</b>		
- Less than one year	101	327
- One to five years	244	1,386
- Later than five years	101	48
<b>Total</b>	<b>446</b>	<b>1,761</b>
<b>Present value of minimum lease payments:</b>		
- Less than one year	96	321
- One to five years	230	1,035
- Later than five years	-	26
<b>Total</b>	<b>326</b>	<b>1,382</b>

**29. Earnings per share (EPS)**
**Calculation of EPS (Basic and Diluted)**

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>Basic and Diluted EPS</b>		
(Loss) after taxation (Rs. in Million)	(1,246)	(81,768)
Weighted Average Number of Equity Shares	1,093,000,622	673,014,491
Basic and Diluted EPS of Rs. 2 each (Rs.)	(1.14)	(121.49)

**Note:**

The weighted average number of equity shares used for Basic EPS and Diluted EPS are the same since the outstanding potential equity shares as at March 31, 2010 and as at March 31, 2009 are anti-dilutive in nature.

**30. Provision for taxation**
**30.1 Current tax**
**Company:**

No provision has been made in the financial statements towards current tax for the year ended March 31, 2010 towards its domestic operations, since the Company has incurred a tax loss for the year. Further, the Management has assessed the Company's tax position in respect of its overseas operations taking into account the relevant rules and regulations as applicable in the respective countries and, based on professional advice, has determined that the provision amounting to Rs. 143 Million (March 31, 2009 – Rs. 317 Million) made currently is adequate and no additional provision for current tax for the current year needs to be made in respect of the same. The tax provision for the previous year includes an amount of Rs. Nil (March 31, 2009 – Rs. 156 Million) towards adjustments for unreconciled amounts pertaining to the earlier periods.

Part of the Company's operations in India are conducted through Software Technology Parks (STPs). Based on the current statutory provisions Income from STPs is tax exempt for a period of 10 years commencing from the fiscal year in which the unit commences its activities, or upto March 31, 2011, whichever is earlier.

The Company also has operations in Special Economic Zones (SEZs) in India. Income from SEZs are expected to be fully tax exempt for the first five years, 50% exempt for the next five years and 50% exempt for another five years subject to fulfilling certain conditions.





**Subsidiaries:**

An amount of Rs. 69 Million (Previous Year Rs. 69 Million) has been included under Income Tax – asset in respect of the subsidiaries of the Company.

**30.2 Deferred tax**

**Company:**

No deferred tax asset has been recognised as at March 31, 2010 and as at March 31, 2009 on account of accumulated business losses and other items on grounds of prudence.

**Subsidiary:**

The breakup of deferred tax assets/liabilities and reconciliation of current year deferred tax charge is as follows:

(Rs. in Million)

Particulars	As at March 31, 2010	As at March 31, 2009
<i>Deferred Tax (Liability)</i>		
Depreciation	(38)	(39)
Others	(1)	(9)
<b>Total</b>	<b>(39)</b>	<b>(48)</b>
<i>Deferred Tax Asset</i>		
Provision for doubtful debts	-	20
Provision for doubtful advances	-	-
Unabsorbed losses	49	-
Depreciation	9	20
Employee benefits	7	25
<b>Total</b>	<b>65</b>	<b>65</b>

**30.3 Transfer pricing**

The Company has entered into international transactions with related parties. The Management is of the opinion that all necessary documents as prescribed by the Income Tax Act, 1961 to prove that these transactions are at arms length are maintained by the Company and that the aforesaid legislation will not have any impact on the financial statements, particularly on the tax expense and the provision for taxation.

**31. Provisions**

**31.1 Provision for warranties**

The Company provides warranty support to some of its customers as per the terms of the contracts (Refer Note 14.6 of Schedule 18). The details of provision for warranties are as follows:

(Rs. in Million)

Particulars	For the year ended March 31,	
	2010	2009
Opening balance	105	-
Provision made during the year	49	105
Reversal made during the year	(80)	-
Amounts utilised during the year	-	-
Closing balance	<b>74</b>	<b>105</b>

**Note:**

Provision for warranties is estimated and made based on technical estimates of the Management and is expected to be settled over the period of next one year.

### 31.2 Provision for contingencies

The Company carries a general provision for contingencies towards various claims made/anticipated against the Company based on Management's assessment. Also refer Note 6 of Schedule 18. The details of the same are as follows:

*(Rs. in Million)*

Particulars	For the year ended March 31,	
	2010	2009
Opening balance	4,750	-
Provision made during the year	-	4,750
Amounts utilised during the year	-	-
Closing balance	4,750	4,750

**Note:**

Given the nature of the claims referred to above, it is not possible to estimate the timing/uncertainties relating to the utilisation/reversals from the provision for contingencies.

### 31.3 Provision other unexplained differences debited to the Profit and Loss account comprises the following:

*(Rs. in Million)*

Particulars	For the year ended March 31,		Note Ref.
	2010	2009	
Other Differences (Net) between April 1, 2008 and December 31, 2008	-	7	Refer Note 3.3(ii) of Schedule 18
Other Amounts (Net)	20	27	Refer Note 9.3 of Schedule 18
<b>Total</b>	<b>20</b>	<b>34</b>	

### 31.4 Provision for impairment losses in subsidiaries

*(Rs. in Million)*

Particulars	For the year ended March 31,		Note Ref.
	2010	2009	
Opening balance	2,588	-	
Provision made during the year	2,035	2,588	Refer Note 22 of Schedule 18
Amounts utilised during the year	-	-	
Closing balance	4,623	2,588	

### 32. Derivative instruments - Company

The Company, in accordance with its risk management policies and procedures, enters into foreign currency forward contracts and foreign currency option contracts to manage its exposure in foreign exchange rates.

Pursuant to the announcement of the Institute of Chartered Accountants of India (ICAI) in respect of "Accounting for Derivatives", the Company had opted to follow the recognition and measurement principles relating to derivatives as specified in Accounting Standard 30 - "Financial Instruments, Recognition and Measurement", issued by the ICAI, from the year ended March 31, 2008.

The Company has outstanding foreign exchange forward/option contracts, the fair value of which showed a net gain of Rs. 243 Million as at March 31, 2010 (March 31, 2009 – Loss of Rs. 1,101 Million). Since the mark to market on the derivative contracts as at the Balance Sheet date resulted in a gain, the same has not been accounted on grounds of prudence.

The net loss on forward exchange and option contracts which have been accounted in the Profit and Loss account for the year ended March 31, 2010 amounted to Rs Nil (March 31, 2009 – Rs. 4,632 Million (loss)).



- (i) The following are the outstanding forward exchange contracts and foreign currency option contracts entered into by the Company as at March 31, 2010:

Foreign exchange forward contracts:

As at March 31, 2010

Particulars	<i>(In Million)</i>	
	Number of contracts	Amount
USD (Sell)	134	133
INR equivalent	134	6,003

As at March 31, 2009

Particulars	<i>(In Million)</i>	
	Number of contracts	Amount
USD (Sell)	26	45
Total INR equivalent	26	2,294

Foreign currency option contracts as at March 31, 2009:

Particulars	<i>(In Million)</i>	
	Number of contracts	Amount
USD (Sell)	63	119
Total INR equivalent	63	6,076

- (ii) The foreign currency exposures as at March 31, 2010 that have not been specifically hedged by a derivative instrument or otherwise are given below:

As at March 31, 2010

Currency	<i>(In Million)</i>				Grand total
	Advances and deposits	Cash and bank balances	Creditors & payables	Debtors & unbilled revenue	
AED	2	1	(1)	3	5
AUD	1	7	(5)	23	26
BRL	1	1	-	1	3
CAD	0	1	(0)	4	5
CHF	1	2	(2)	4	5
CNY	-	-	-	9	9
CZK	-	2	(2)	-	-
DKK	-	6	(1)	12	17
EUR	18	6	(5)	30	49
GBP	1	3	(5)	17	16
GHC	40	-	-	-	40
HKD	1	-	(1)	-	-
HUF	3	76	(26)	-	53
JPY	111	147	(194)	346	410
KES	6	20	(1)	-	25
KRW	28	309	(43)	73	367
LKR	-	7	-	-	7
MUR	2	1	-	-	3
MYR	11	1	(13)	1	-
NZD	11	-	-	2	13

Contd.

*(In Million)*

Currency	Advances and deposits	Cash and bank balances	Creditors & payables	Debtors & unbilled revenue	Grand total
PHP	-	-	(1)	-	(1)
QAR	7	-	-	1	8
SAR	-	3	-	-	3
SEK	-	3	(3)	-	-
SGD	3	2	(3)	6	8
THB	10	28	(2)	52	88
TTD	1	-	(1)	-	-
TWD	-	12	(1)	-	11
USD	36	25	(49)	215	227
XAF	8	-	(4)	-	4
ZAR	6	3	(7)	23	25
<b>INR equivalent</b>	<b>3,740</b>	<b>2,531</b>	<b>(3,706)</b>	<b>14,905</b>	<b>17,470</b>

As at March 31, 2009

*(In Million)*

Currency	Advances and deposits	Cash and bank balances	Creditors & payables	Debtors & Unbilled Revenue	Grand total
AED	3	1	(2)	19	21
AUD	3	9	(12)	46	46
BRL	1	1	(1)	2	3
CAD	-	1	(1)	4	4
CHF	1	1	(2)	5	5
CNY	-	-	-	8	8
CZK	-	3	(1)	-	2
DKK	-	5	(2)	6	9
EUR	14	5	(5)	35	49
GBP	2	1	(8)	15	10
GHC	-	-	40	-	40
HKD	-	2	(2)	-	-
HUF	3	85	(34)	-	54
JPY	104	312	(239)	666	843
KES	3	30	(120)	-	(87)
KRW	22	464	(63)	55	478
LKR	-	13	-	-	13
MUR	-	1	-	-	1
MYR	3	-	(1)	-	2
NZD	-	2	-	1	3
PHP	-	-	(1)	-	(1)
QAR	5	-	(1)	-	4
SAR	1	9	(2)	-	8
SEK	-	1	(4)	-	(3)
SGD	2	2	(5)	6	5
THB	9	19	(3)	30	55
TTD	1	-	(1)	-	-
TWD	-	10	(1)	-	9
USD	31	28	(87)	108	80
XAF	-	-	4	-	4
ZAR	6	15	(7)	21	35
<b>INR Equivalent</b>	<b>3,296</b>	<b>2,972</b>	<b>(6,502)</b>	<b>12,097</b>	<b>11,863</b>



### 33. Virtual Pool Program

During the current year, the "Virtual Pool Program (VPP)" was introduced by the Company to balance the concerns of excess manpower in a humane manner. This was introduced to deal with the reality of 'excess' talent pool - as a result of the various events in the Company. This program enabled the Company to retain talent at a reduced pay for a defined period of time. Extreme care was taken to ensure that the Company did not lose key talent and detailed efforts were adopted to ensure that the experience and skill sets necessary for each customer account/ function, was protected. Supporting efforts included structured outplacement programs, financial and career counseling, assistance for higher education etc. The Company also had a "recall" program (based on confirmed need) and eventually brought back 30% of the VPP associates for various roles.

### 34. Notification to NYSE to delist

The Company has notified the New York Stock Exchange (NYSE) of its intention to delist the ADRs from the said exchange. The Company is currently late in filing its annual report on Form 20-F for the year ended March 31, 2009. The Company was notified by the NYSE of its noncompliance. Pursuant to the NYSE's rules, the Company was given until October 15, 2010, to make this filing, as previously announced, which represents the maximum time period available. The Company does not now anticipate that it will be able to file restated US GAAP financial statements for the period ended March 31, 2009 on or prior to October 15, 2010, the compliance date in accordance with the NYSE's rules.

### 35. Previous period financial statements

- (i) As stated in Note 3.7(ii) of Schedule 18, the former statutory auditors of the Company vide their letter dated January 13, 2009 to the Board of Directors have indicated that their audit reports and opinions in relation to the standalone and consolidated financial statements of the Company from the quarter ended June 30, 2000 until the quarter ended September 30, 2008 should no longer be relied upon. Certain comparative financial information for the year ended March 31, 2008 included in the financial statements for the previous year, were as per the published numbers (duly converting the amounts in "Crores" to amounts in "Million" and making the required rounding off adjustments), as reported upon by the former statutory auditors vide their report dated April 21, 2008 and as adopted by the shareholders.
- (ii) Previous year's figures are not comparable with the current year figures in view of the reasons stated in Note 3 of Schedule 18 and the exceptional items disclosed under Note 36 of Schedule 18.

### 36. Exceptional items

The Profit and Loss account includes the following exceptional items (expenditure):

Particulars	<i>(Rs. in Million)</i>	
	For the year ended March 31, 2010	For the year ended March 31, 2009
Expenses relating to restructuring / right sizing	934	-
Expenses related to forensic investigation and litigation support	1,068	832
Provision for doubtful debts, Advances and Impairment of Assets	-	4,191
Provision for impairment losses in Subsidiaries	2,167	7,719
Provision for contingencies	-	4,750
Prior period adjustments (Refer Note 3.4 of Schedule 18)	-	62,428
<b>Total</b>	<b>4,169</b>	<b>79,920</b>

#### For and on behalf of the Board of Directors

**C. Achuthan**  
Director

**Vineet Nayyar**  
Chairman

**C.P.Gurnani**  
Whole-time Director & CEO

**T.N.Manoharan**  
Director

**Ulhas N.Yargop**  
Director

**S.Durgashankar**  
Chief Financial Officer

**G. Jayaraman**  
Company Secretary

Place: Hyderabad  
Date : September 29, 2010



## Satyam Computer Services Limited

Regd. Office: Mahindra Satyam Infocity, Unit - 12, Plot No. 35/36, Hi-tech City Layout,  
Survey No. 64, Madhapur, Hyderabad, A.P., India, Pin - 500 081

2009 - 10

### FORM OF PROXY

I/We \_\_\_\_\_ of \_\_\_\_\_  
being member(s) of the above-named Company, hereby appoint the following as my/our proxy to attend and vote on a poll for me/ us and on  
my/our behalf at the 23<sup>rd</sup> Annual General Meeting of the Company, to be held on Tuesday, December 21, 2010 at 11.30 A.M. and at any  
adjournment thereof :

Signature

1. Mr./Ms \_\_\_\_\_, or failing him/her \_\_\_\_\_.
2. Mr./Ms \_\_\_\_\_, or failing him/her \_\_\_\_\_.
3. Mr./Ms \_\_\_\_\_, \_\_\_\_\_.

\* I/We direct my/our proxy to vote on the resolutions in the manner as indicated below:

Resolutions	For	Against	Resolutions	For	Against
Resolution No. 1			Resolution No. 3		
Resolution No. 2			Resolution No. 4		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Folio No : \_\_\_\_\_ No. of Shares held \_\_\_\_\_

DP ID : \_\_\_\_\_ Client ID: \_\_\_\_\_

Affix  
Revenue  
Stamp

Signature(s) of Member(s) (1) \_\_\_\_\_ (2) \_\_\_\_\_ (3) \_\_\_\_\_

for notes see overleaf

\* Refer note no.6



## Satyam Computer Services Limited

Regd. Office: Mahindra Satyam Infocity, Unit - 12, Plot No. 35/36, Hi-tech City Layout,  
Survey No. 64, Madhapur, Hyderabad, A.P., India, Pin - 500 081

2009 - 10

### ATTENDANCE SLIP

I hereby record my presence at the 23<sup>rd</sup> Annual General Meeting of the Company at Sri Sathya Sai Nigamagmam (Kalyana Mandapam), 8-3-987/2,  
Srinagar Colony, Hyderabad-500 073 on Tuesday, December 21, 2010 at 11.30 A.M.

Full Name of the Member (in block letters) \_\_\_\_\_ Signature \_\_\_\_\_

Folio No : \_\_\_\_\_ No. of Shares held \_\_\_\_\_

DP ID : \_\_\_\_\_ Client ID: \_\_\_\_\_

Full name of the proxy (in block letters)  
(to be filled if the proxy attends instead of the member) \_\_\_\_\_ Signature \_\_\_\_\_

**Note:** Members attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

**Notes:**

1. The Proxy, to be effective should be deposited at the Registered Office of the Company not less than FORTY-EIGHT HOURS before the commencement of the Meeting.
2. A Proxy need not be a member of the Company.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members.
4. This form of proxy confers authority to demand or join in demanding a poll.
5. The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the Meeting.
6. \*This is optional. Please put a tick mark (✓) in the appropriate column against the resolutions indicated in the box. If a member leaves the 'For' or 'Against' column blank against any or all the resolutions, the proxy will be entitled to vote in the manner he/ she thinks appropriate. If a member wishes to abstain from voting on a particular resolution, he/she should write "Abstain" across the boxes against the resolution.
7. In case a member wishes his/her votes to be used differently, he/she should indicate the number of shares under the columns 'For' or 'Against' as appropriate.



## Global Offices

### INDIA

Maan Sarovar  
Maanasarovar Towers  
Old No. 271 A / New No. 375 A  
Anna Salai, Teynampet  
Chennai - 600 018

Chennai-CMS  
No. 150-B/1  
IT Highway, Old Mahabalipuram Road  
Karapakkam Village, Tambaram Taluk  
Chennai - 600 096

Chennai-Thoraipakkam TEK Towers  
No.11, Old Mahabalipuram  
Thoriapakkam  
Chennai - 600 096

Tambaram-SEZ Shriram The Gateway  
Phase-I, Perungalathur Village  
Tambaram Taluk  
Kancheepuram District  
Chennai

Ohri Towers  
No.9-1-154  
Sabastian Road  
Secunderabad - 500 003

Satyam Gateway  
Block 1 & 2, S.No. 79(P) & 64 (P)  
Madhapur Village  
Serilingampally Mandal and Municipality  
R R District  
Hyderabad - 500 081

DLF Cyber City - Hyderabad Phase-I  
Gatchibowli Village  
Ranga Reddy District  
Hyderabad - 500 018

Tara Heights  
19/A, Tara Heights  
Behind SBI Bank  
Mumbai-Pune Highway  
Near Mariaai Gate Police Chowky  
Pune - 411 003

Manikchand Ikon  
CTS No. 18, Dhole Patil Road  
Opp Wadia College  
Pune - 411 001

### UNITED STATES OF AMERICA

Redmond Center  
2018 - 165<sup>th</sup> Avenue NE  
Building F- Suite 104 & 231  
Bellevue, USA

200 West Prospect Avenue  
Cleveland Tower City  
Infocom Center, Cleveland  
USA

300 Galleria  
Suit 322  
Offcentre Southfield, Oakland Michigan  
Detroit, USA

Freedom Square II  
6000 Drive Suite 250  
Independence Ohio  
USA

23461 South Pointe Drive  
Laguna Hills Orange  
California, USA

One Gate Hall Drive  
No.301, Parsipany  
New Jersey 07054 of Glenborough Properties  
USA

Exchange Building  
1905 Harney Street  
Omaha NE  
USA

2901 Tasman  
Dr. Ste 106  
Santa Clara  
CA 95054  
USA

Suite No. 1747  
Houston  
Texas 77056  
USA

Suite 211  
8500 Leesburg Suite  
600 Vienna  
Virginia 22182  
USA

### CHINA

Room 607  
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Tianhe District  
GZ. 020-22001701, China

Room 23102  
No. 498, GuoShoujing Road  
Shanghai, PR China

3<sup>rd</sup> Floor  
Animation Building  
No. 11 Xinghuo Road  
Pukou High-Tech Zone  
Nanjing, PR China

21<sup>st</sup> Floor  
Citi Bank Plaza,  
No. 3, Garden Road  
Hongkong, China

### HUNGARY

Capital Square Tower 1  
3<sup>rd</sup> Floor, Vaci ut 76  
3 Emelet, Budapest  
H-1133, Hungary

### IRELAND

Virtual Office  
Champion SCSR  
Regus Harcourt Centre, Harcourt Road  
A Member of the Regus Group Network  
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