



# Mahindra Satyam

## Satyam Computer Services Limited

Regd Office: Mahindra Satyam Infocity, Unit - 12, Plot No. 35 & 36, Hi-tech City Layout,  
Survey No. 64, Madhapur, Hyderabad — 500 081.

### PART I: STATEMENT OF CONSOLIDATED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2012

Sl. No.	Particulars	(₹ in Lakhs)			
		Quarter ended March 31, 2012 Unaudited (Refer Note 20)	Quarter ended December 31, 2011 Unaudited	Quarter ended March 31, 2011 Unaudited	Year ended March 31, 2012 Audited
1.	Income from operations	166584	171808	137536	514506
2.	Expenses				
	Employee benefits expense	102041	104089	89780	357583
	Operating, administration and other expenses	35388	39910	29781	112035
	Depreciation and amortisation expense	4153	3852	4426	17210
	Total expenses	141582	147851	123987	486828
3.	Profit from operations before other income, finance costs and exceptional items (1-2)	25002	23957	13549	86627
4.	Other income (Refer Note 16)	7267	15127	10100	41890
5.	Profit from ordinary activities before finance costs and exceptional items (3+4)	32269	39084	23649	128517
6.	Finance costs	253	270	244	1180
7.	Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5-6)	32016	38814	23405	127337
8.	Exceptional items (Refer Note 17)	(10940)	-	57150	(10940)
9.	Profit/(Loss) from ordinary activities before tax (7-8)	42956	38814	(33745)	138277
10.	Tax expense (Refer Note 19)	(9425)	7901	(1147)	8515
11.	Net Profit/(Loss) from ordinary activities after tax (9-10)	52381	30913	(32598)	129762
12.	Minority Interest	(1040)	70	100	(844)
13.	Net Profit/(Loss) from ordinary activities after tax and minority interest (11-12)	53421	30843	(32698)	130606
14.	Paid-up equity share capital (Face value of ₹2/- per share)	23536	23536	23531	23531
15.	Reserves excluding Revaluation Reserves (Face value of ₹2/- per share)				275193
16.	Earnings Per Share (EPS) (Face value of ₹2/- per share)				
	- Basic (in ₹)	4.54*	2.62*	(2.78)*	(1.25)
	- Diluted (in ₹)	4.53*	2.62*	(2.78)*	(1.25)

\* Not annualised

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**PART II: SELECT INFORMATION FOR THE YEAR ENDED MARCH 31, 2012**

Sl. No.	Particulars	Quarter ended	Quarter ended	Quarter ended	Year ended
		March 31, 2012 Unaudited	December 31, 2011 Unaudited	March 31, 2011 Unaudited	March 31, 2012 Audited
<b>A. PARTICULARS OF SHAREHOLDING</b>					
1.	Public shareholding #				
-	Number of shares	674954096	604883949	562652327	562652327
-	Percentage of shareholding	57.35	51.40	47.82	47.82
2.	Promoters and promoter group shareholding				
a)	Pledged / encumbered				
-	Number of shares	-	-	-	-
-	Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-
-	Percentage of shares (as a % of the total share capital of the Company)	-	-	-	-
b)	Non - encumbered				
-	Number of shares	501843740	501843740	501843740	501843740
-	Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100	100	100	100
-	Percentage of shares (as a % of the total share capital of the Company)	42.65	42.65	42.65	42.65

# Public shareholding excludes underlying shares of American Depository Shares (ADS)

-	Number of shares	70051002	112069686	-	112069686
-	Percentage of shareholding	5.95	9.53	-	9.53

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STANDALONE AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2012

(₹ in Lakhs)

Sl. No	Particulars	Quarter ended	Quarter ended	Quarter ended	Year ended	Year ended
		March 31, 2012 Unaudited	December 31, 2011 Unaudited	March 31, 2011 Unaudited	March 31, 2012 Audited	March 31, 2011 Audited
1.	Income from operations	155054	160548	127775	596421	477612
2.	Profit/(Loss) from ordinary activities after finance costs but before exceptional items	27838	36982	23402	120489	56716
3.	Profit/(Loss) from ordinary activities before tax	33020	36982	(33748)	125671	(7391)
4.	Net Profit/(Loss) from ordinary activities after tax	44669	29432	(32598)	120280	(12761)

B. INVESTOR COMPLAINTS - for the quarter ended March 31, 2012:

Nature	Pending as at December 31, 2011	During the quarter		Pending as at March 31, 2012
		Received	Disposed off	
Dividend related	-	8	8	-
Others	-	6	6	-
<b>Total</b>	-	<b>14</b>	<b>14</b>	-

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1. Consolidated Statement of Assets and Liabilities:

(₹ in Lakhs)

Particulars		As at March 31, 2012 (Audited)	As at March 31, 2011 (Audited)
<b>A</b>	<b>EQUITY AND LIABILITIES</b>		
1.	<b>Shareholders' Funds</b>		
	(a) Share capital	23536	23531
	(b) Reserves and surplus	275193	148954
	<b>Sub-total-Shareholders' funds</b>	<b>298729</b>	<b>172485</b>
2.	<b>Share application money pending allotment</b>	<b>1</b>	<b>2</b>
3.	<b>Minority Interest</b>	<b>1497</b>	<b>2341</b>
3.	<b>Non-current liabilities</b>		
	(a) Long-term borrowings	2335	2215
	(b) Deferred tax liabilities (Net)	152	678
	(c) Other long-term liabilities	282	59
	(d) Long-term provisions	29394	64977
	<b>Sub-total-Non-current liabilities</b>	<b>32163</b>	<b>67929</b>
4.	<b>Current Liabilities</b>		
	(a) Short term borrowings	8	-
	(b) Trade payables	59846	63381
	(c) Other current liabilities	79715	89510
	(d) Short-term provisions	101379	92345
	<b>Sub-total-Current liabilities</b>	<b>240948</b>	<b>245236</b>
	<b>SUB-TOTAL</b>	<b>573338</b>	<b>487993</b>
	<b>Amounts pending investigation suspense account (net) (Refer Note 6.3)</b>	123040	123040
	<b>TOTAL</b>	<b>696378</b>	<b>611033</b>
<b>B</b>	<b>ASSETS</b>		
1.	<b>Non-current assets</b>		
	(a) Fixed assets	97420	88085
	(b) Goodwill on consolidation (net)	3530	3530
	(c) Non-current investments	3500	-
	(d) Deferred tax assets (net)	16959	810
	(e) Long-term loans and advances	17554	18043
	(f) Other non-current assets	630	1220
	<b>Sub-total-Non-current assets</b>	<b>139593</b>	<b>111688</b>
2.	<b>Current assets</b>		
	(a) Current investments	6220	43480
	(b) Inventories	1460	5920
	(c) Trade receivables	140176	112600
	(d) Cash and cash equivalents	285183	274517
	(e) Short-term loans and advances	69210	18631
	(f) Other current assets	54536	44197
	<b>Sub-total-Current assets</b>	<b>556785</b>	<b>499345</b>
	<b>SUB-TOTAL</b>	<b>696378</b>	<b>611033</b>
	<b>Unexplained differences suspense account (net) (Refer Note 6.2)</b>	-	-
	<b>TOTAL</b>	<b>696378</b>	<b>611033</b>

2. The audited consolidated financial results of the Company for the year ended March 31, 2012 have been reviewed by the Audit Committee and approved by the Board of Directors in its meeting held on May 17, 2012.
3. During the quarter and year ended March 31, 2012, the Company allotted 19,145 and 232,083 equity shares respectively, of ₹ 2 each, consequent to the exercise of stock options by the Associates.

#### 4. Consolidation

- 4.1 The audited financial results of Satyam Computers Services Limited (the Company) and its domestic and foreign subsidiaries for the year ended March 31, 2012 have been prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements. All material intra-group balances, intra-group transactions and resulting unrealised profits have been eliminated.
- 4.2 On July 11, 2011, Satyam Computer Services Belgium BVBA, a wholly owned subsidiary of the Company has sold its entire stake in its wholly owned subsidiary, S&V Management Consultants NV (S&V). For the purpose of the consolidation, the financial results of S&V have been considered up to June 30, 2011 as the Management is of the view that there are no material transactions in S&V subsequent to June 30, 2011 till July 11, 2011.

#### 5. Proposed Scheme of Amalgamation and Arrangement

The Board of Directors of the Company in their meeting held on March 21, 2012 have approved the "Scheme of Amalgamation and Arrangement under sections 391 to 394 read with sections 78, 100 to 104 and other applicable provisions of the Companies Act, 1956 of Venturbay Consultants Private Limited and Satyam Computer Services Limited and C&S System Technologies Private Limited and Mahindra Logisoft Business Solutions Limited and CanvasM Technologies Limited with Tech Mahindra Limited and their respective shareholders and creditors" ("the Scheme"), subject to the approvals of the shareholders, Hon'ble High Court of Andhra Pradesh, Hon'ble Bombay High Court and other authorities. Thereafter, the Bombay Stock Exchange and the National Stock Exchange have conveyed to the Company, their no-objection under Clause 24(f) of the Listing Agreement to the said Scheme.

As per the Scheme, consequent to the amalgamation of Venturbay Consultants Private Limited with Tech Mahindra Limited, Satyam Computer Services Limited shall amalgamate with Tech Mahindra Limited and the shareholders of the Company shall receive Two (2) equity shares of Tech Mahindra Limited of ₹ 10 each fully paid up in respect of every Seventeen (17) equity shares of ₹ 2 each fully paid up, held by them.

Upon coming into effect of the Scheme and with effect from the Appointed Date i.e. April 1, 2011 (after amalgamation of Venturbay with Tech Mahindra Limited is deemed to have taken effect) and subject to the provisions of the Scheme, the entire business and whole of the undertaking of the Company as a going concern including but not limited to all the movables and immovable properties, assets, debts, liabilities, duties and obligations of the Company, shall without any further act or deed, but subject to the charges affecting the same, be transferred and/or deemed to be transferred to and vested in Tech Mahindra Limited as a going concern so as to become the assets and liabilities of Tech Mahindra Limited.

#### 6. Financial irregularities

##### 6.1. 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 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 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 Hon'ble Company Law Board ("Hon'ble 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 ("GOP"), nominated six directors on the Board of the Company. Currently, the Board of Directors of the Company comprises six directors including two nominees of the Central Government.

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.

## 6.2. Forensic investigation and nature of financial irregularities

Consequent to the letter, the Government nominated Board of Directors appointed an independent counsel ("Counsel") to conduct an investigation of the financial irregularities. The Counsel appointed forensic accountants to assist in the investigation (referred to as "forensic investigation") and preparation of the financial statements.

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 forensic investigation conducted by the 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 prior to the date of the letter. In certain instances, the forensic accountants conducted investigation procedures outside this period.

There were 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.

The forensic investigation had indicated possible diversion aggregating USD 41 million from the proceeds of the American Depository Shares (ADS) which were listed with the New York Stock Exchange in May 2001.

The forensic investigation had not come across evidence suggesting that the financial irregularities, as identified, extended to the Company's subsidiaries.

Specific financial irregularities as identified based on their nature were classified into two categories i.e. fictitious entries in the accounting records of the Company and unrecorded transactions. The overall impact of the fictitious entries and unrecorded transactions arising out of the forensic investigation, to the extent determined was accounted in the financial year ended March 31, 2009.

In so far as the financial irregularities, where complete information was not available, the 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 as identified by the forensic investigation are given below:

- a) Fictitious cash and bank balances (₹ 99638 Lakhs), debtor balances (₹ 5566 Lakhs) and unrecorded loans (₹ 7000 Lakhs) originating in periods prior to April 1, 2002 aggregating ₹ 112204 Lakhs (net debit) which resulted in a net opening balance difference of ₹ 112204 Lakhs as at April 1, 2002.
- b) Certain transactions aggregating ₹ 1663 Lakhs (net debit) (comprising of ₹ 24446 Lakhs of gross debits and ₹ 22783 Lakhs of gross credits) during the period from April 1, 2002 to March 31, 2008 and ₹ 65 Lakhs (net debit) (comprising of ₹ 120 Lakhs of gross debits and ₹ 55 Lakhs 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, in the absence of complete information, the amounts of ₹ 112204 Lakhs, ₹ 1663 Lakhs and ₹ 65 Lakhs have been accounted under "Unexplained differences suspense account (net)".

During the financial year ended March 31, 2009, the Company, on grounds of prudence, provided for the opening balance differences (net) of ₹ 112204 Lakhs as at April 1, 2002 and other differences (net) of ₹ 1663 Lakhs pertaining to the period from April 1, 2002 to March 31, 2008 and classified them as Prior Period Adjustments. It also provided for the other differences (net) of ₹ 65 Lakhs relating to the period from April 1, 2008 to December 31, 2008 and classified them under Provision for unexplained differences.

- c) The forensic investigation was unable to identify the nature of certain alleged transactions aggregating ₹ 123040 Lakhs (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 6.3 below.

## 6.3. Alleged advances

Consequent to the letter of the erstwhile Chairman, on January 8, 2009, the Company received letters from thirty seven companies requesting confirmation by way of acknowledgement for receipt of certain 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 ₹ 123040 Lakhs 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 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.

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The thirty seven companies had filed petitions / suits for recovery against the Company before the City Civil Court, Secunderabad ("Court"), with a prayer that these companies be declared as indigent persons for seeking exemption from payment of requisite court fees.

Some petitions, (except in the case of one petition where court fees have been paid and the pauper petition converted into a suit which is pending disposal), are before the Court, at the stage of rejection / trial of pauperism.

The remaining petitions are at a preliminary stage before the Court, for considering condonation of delay in re-submission of pauper petitions. In one petition, the delay had been condoned by the Court and the Company has obtained an interim stay order from the Hon'ble High Court of Andhra Pradesh.

The amount of alleged advances aggregating to ₹ 123040 Lakhs (As at March 31, 2011 - ₹ 123040 Lakhs) has been presented separately under "Amounts pending investigation suspense account (net)". Since the matter is *sub judice* and the investigation by various Government Agencies is in progress and having regard to all the related developments in this matter, the Management at this point of time, is not in a position to predict the ultimate outcome of the legal proceedings.

#### 6.4. Investigation by authorities in India

Pursuant to the events stated hereinabove, various regulators/ investigating agencies such as the Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO) / Registrar of Companies (ROC), SEBI, ED, etc., had initiated their investigation on various matters pertaining to the Company during the financial year ended March 31, 2009, which are currently not concluded.

The CBI initiated legal proceedings against the erstwhile Chairman and others before the Additional Chief Metropolitan Magistrate for Trial of Satyam Scam Cases, Hyderabad (ACMM) and has filed certain specific charge sheets based on its findings so far. The Trial is underway and has not concluded.

The SFIO had submitted its reports relating to various findings and had also commenced prosecution against the Company for two alleged violations before the Economic Offences Court, Hyderabad.

The investigating agencies in India are also 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 aggregating USD 28.41 Million from an entity registered in a tax haven, it is possible that 20 of these inward remittances aggregating USD 17.04 Million may have been used to set off outstanding invoices.

In addition, the SFIO has filed complaints against the former directors and erstwhile management for various violations under the Companies Act, 1956.

During the previous year, in furtherance to the investigation of the Company as referred to above, certain Regulatory Agencies in India have sought assistance from Overseas Regulators and, accordingly, information has been sought from certain subsidiaries viz., Bridge Strategy Group LLC, Citisoft Plc. and Nitor Global Solutions Limited.

During previous year, C&S System Technologies Private Limited (C&S), a subsidiary of the Company, received notice of inspection from SFIO under Section 209A of the Act, alleging violation of certain procedural requirements under the Act and directing it to submit information/certified documents in respect of the same. These alleged offences are compoundable under Section 621A of the Act and C&S filed its reply dated March 4, 2011 to the aforesaid show cause notice. Some of these violations have been rectified and the Compounding Applications have been filed on September 26, 2011 with the Hon'ble CLB, the proceedings related to which are in progress.

Knowledge Dynamics Private Limited (KDPL), an erstwhile subsidiary of the Company, which was dissolved in March 2011, was served a notice of inspection by the SFIO in April 2012. The Company has informed the SFIO about the dissolution of KDPL.

#### 6.5. 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 relating to prior years have been seized by the CBI. On petitions filed by the Company, the ACMM has 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.

## 6.6. Other matters

The Company has filed a civil suit in the City Civil Court Hyderabad, against the past Board of Directors (the Board prior to the Government nominated Board), certain former employees and the former statutory auditors, its affiliates and partners, seeking damages for inter-alia perpetrating fraud, breach of fiduciary responsibility and obligations and negligence in performance of duties.

Based on media reports, it has come to the knowledge of the Company that the former statutory auditors have filed a suit in the Ranga Reddy District Court ("Court") against the Company seeking damages. The said suit has not yet been served on the Company and, therefore, it is unable to comment on the same. However, the Company has been served summons for appearance in the Court.

## 6.7. Management's assessment of the identified financial irregularities

As per the assessment of the Management, based on the forensic investigation and the information available upto this stage, all identified/required adjustments/disclosures arising from the identified financial irregularities, had been made in the financial statements as at March 31, 2009.

Considerable time has elapsed after the letter and the Company has not received any further information as a result of the various ongoing investigations against the Company which requires adjustments to the financial results. Since matters relating to several of the financial irregularities are *sub judice* and the various investigations/proceedings are ongoing, any further adjustments/disclosures, if required, would be made in the financial results of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

## 7. Commitments and contingencies

### 7.1. Aberdeen action (USA)

On November 13, 2009, a trustee of two trusts that are assignees of the claims of twenty investors who had invested in the Company's ADS and common stock, filed a complaint against the Company, its former auditors and others (the "Action") on grounds substantially similar to those contained in the Class Action Complaint (Refer Note 11). The Action, which has been brought as an individual action, alleges that the losses suffered by the twenty investors (Claimants) is over USD 68 Million. The Action has been transferred to the Court in the Southern District of New York for pre-trial consolidation with the Class Action Complaint.

On February 18, 2011, an amended complaint was filed in the Action ("Aberdeen Amended Complaint"). The Aberdeen Amended Complaint makes substantially the same allegations and asserted the same claims against the Company as the original complaint in the Action. In the light of this amended complaint, the Court denied the then-pending motions to dismiss the original complaint in the Action as moot. On May 3, 2011, the Company and other defendants moved to dismiss the Aberdeen Amended Complaint on various grounds:

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

### 7.2. Aberdeen (UK) complaint

On April 2, 2012, the Company was served with a Claim Form and Particulars of Claim dated December 22, 2011, relating to proceedings initiated in the Commercial Court in London (the "English Court") by Aberdeen Asset Management PLC on behalf of 23 "Claimants" representing 30 funds who had invested in the Company's common stock that traded on the exchanges in India (the "English Action"). The allegations made in the English Action are similar to those in the Class Action Complaint (Refer Note 11). The English Action alleges the Claimants' losses to be in excess of \$150 million and simple interest at 8% p.a. but provides no details on the basis for that amount, nor any details from which an approximate claimed damages amount may be ascertained. The Company is currently contesting the jurisdiction of the English Court, while all other defenses on the merits of the claims and its legal options remain fully reserved. There will be no substantive activity in the English Action until the English Court has ruled on the threshold jurisdiction issue. Accordingly, in addition to the uncertainty over the claimed losses, it is also uncertain whether the English Court will even continue to exercise jurisdiction over the lawsuit. Given the lack of sufficient detail in the particulars of claim on the alleged losses, and the possibility that the English Court may not retain jurisdiction over the English Action, its outcome is unpredictable.





### 7.3. Foreign Exchange Management Act (FEMA), 1999

The Directorate of Enforcement has issued a show-cause notice to the Company for contravention of the provisions of the Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Realisation, Repatriation and Surrender of Foreign Exchange) Regulations, 2000, in respect of the realization and repatriation of export proceeds to the extent of foreign exchange equivalent to ₹ 5064 Lakhs for invoices raised during the period July 1997 to December 31, 2002. The Company is dealing with the matter appropriately.

### 7.4. Income tax matters

#### 7.4.1. Petition before Central Board of Direct Taxes (CBDT) / Hon'ble High Court of Andhra Pradesh

The Company had filed various petitions before CBDT requesting for stay of demands for the financial years 2002-03 to 2007-08 till the correct quantification of income and taxes payable is done for the respective years. In March 2011 the CBDT rejected the Company's petition and the Company filed a Special Leave Petition before the Hon'ble Supreme Court which directed the Company to file a comprehensive petition/representation before CBDT giving all requisite details/particulars in support of its case for re-quantification/re-assessment of income for the aforesaid years and to submit a Bank Guarantee (BG) for ₹ 61700 Lakhs. Pursuant to the direction by the Hon'ble Supreme Court, the Company submitted the aforesaid BG and also filed a comprehensive petition before the CBDT in April 2011.

The CBDT vide its order July 11, 2011 disposed the Company's petition directing it to make its submissions before the Assessing Officer in course of the ongoing proceedings for the aforesaid years and directed the Income Tax Department not to encash the BG furnished by the Company till December 31, 2011. Aggrieved by CBDT's order, the Company filed a writ petition before the Hon'ble High Court of Andhra Pradesh on August 16, 2011. The Hon'ble High Court of Andhra Pradesh vide its order dated December 14, 2011 adjourned the hearing to January 31, 2012 and directed the Income Tax Department not to encash the BG until then.

In the meanwhile, the Assessing Officer served an order for provisional attachment of properties under Section 281B of the Income Tax Act, 1961 on January 30, 2012 attaching certain immovable assets of the Company on the grounds that there is every likelihood of a large demand to be raised against the Company for the financial years 2002-03 to 2008-09 along with interest liability. Aggrieved by such order, the Company filed a writ petition in the Hon'ble High Court of Andhra Pradesh which granted a stay on the operation of the attachment order until disposal of this writ.

The writ petition is pending hearing on June 26, 2012 along with all other pending writ petitions and the Hon'ble High Court has also directed to renew the BG for another six months which has since then been renewed.

#### 7.4.2. Appointment of Special Auditor and re-assessment proceedings

Financial years 2001-02 and 2006-07:



The Assessing Officer had commissioned a special audit which has been challenged by the Company on its validity and terms vide writ petitions filed before the Hon'ble High Court of Andhra Pradesh (the "A.P. High Court"). The said petitions are pending disposal.

In August, 2011, the Additional Commissioner of Income Tax has issued the Draft of Proposed Assessment Orders accompanied with the Draft Notice of demand amounting to ₹ 79603 lakhs and ₹ 107573 lakhs for the financial years 2001-02 and 2006-07, respectively, proposing variations to the total income, including variations on account of Transfer Pricing adjustments. The Company has filed its objections to the Draft of Proposed Assessment Orders for the aforesaid years on September 16, 2011 with the Hon'ble Dispute Resolution Panel, Hyderabad, which is pending disposal.

Financial years 2002-03 and 2007-08:

In December 2011, the Additional Commissioner of Income Tax has appointed a Special Auditor under section 142(2A) of the Income Tax Act, 1961 to audit the accounts of the Company for financial years 2002-03 and 2007-08, which is in progress.

The above disputes may result in additional interest/penalty in case of an unfavourable order being finalised.



#### 7.4.3. Provision for tax

The Company is carrying a total amount of ₹ 52279 Lakhs (net of payments) [As at March 31, 2011: ₹ 38034 Lakhs (net of payments)] towards provision for taxation. Considering the effects of financial irregularities, status of disputed tax demands and the appeals / claims pending before the various authorities, the consequent significant 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 provisions pertaining to prior years at this stage.

#### 7.5. 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 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, the Company has made appropriate provision for contingencies as at March 31, 2012, which, in the opinion of the Management, is adequate to cover any probable losses in respect of the above litigations and claims.

#### 8. SEC Proceedings

During the previous year, the Company entered into a settlement agreement with the SEC in connection with the SEC investigations into misstatements in the Company's financial statements predating January 7, 2009, without admitting or denying the allegations in the SEC's complaint and a penalty amount of USD 10 Million (equivalent to ₹ 4461 Lakhs), which was accrued during the previous year, was remitted to the SEC in the current year.

#### 9. American Depository Shares (ADSs)

Effective October 14, 2010, the Company's American Depository Shares (ADSs) were delisted from the New York Stock Exchange (NYSE) but continued to trade on the over-the-counter (OTC) market in the United States.

Since May 2001, the Company's equity shares underlying its American Depository Shares (ADSs) and the ADSs themselves have been registered with the SEC. The registration obligates the Company to file annual and other reports with the SEC. The Company has determined that it will not be able to become current in its SEC filing obligations and hence expected the SEC to revoke the Company's registration sometime in future. The revocation of registration would prevent continued trading of the ADSs in US markets, and in order to protect the interests of ADS holders, the Company determined to wind down the ADS program in an orderly fashion.

Accordingly, in August 2011 the Company entered into a supplemental agreement with the depository bank, Citibank, N.A., to terminate the Deposit Agreement. As a result of the termination, the ADS program is expected to be wound down by March 2012 in accordance with the supplemental Deposit Agreement. During the transition period the holders of ADSs will be able to surrender their ADSs in exchange for corresponding equity shares in the Company, subject to applicable regulatory restrictions of India, the US and jurisdictions where holders reside. After trading of ADSs was terminated, the depository will arrange for the sale (on a commercially reasonable efforts basis) of the equity shares then held on deposit and will hold the net proceeds of such sale (after deduction of applicable fees, taxes and expenses), without liability for interest, in an unsegregated account for the pro rata benefit of holders of ADSs then outstanding. As confirmed by the depository bank, as at March 31, 2012 all the equity shares underlying the ADSs have been exchanged / sold.

The SEC revoked the registration of the Company's ADS under the Securities Exchange Act of 1934 on March 29, 2012, after the transition period and related wind-down of the ADS facility described above was completed.

The Company's equity shares continue to trade in India on the Bombay Stock Exchange and the National Stock Exchange.

#### 10. Claims from Upaid Systems Limited (Upaid)

In connection with the lawsuit filed by Upaid in the United States District Court for the Eastern District of Texas (the "Texas Action"), the Company had deposited USD 70 Million (equivalent to ₹ 32739 Lakhs) during financial year ended March 31, 2010 into an escrow account pursuant to the Settlement Agreement.

Subsequently, the Company obtained a favourable binding judgement 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 had filed an application before the Authority for Advance Rulings ("AAR") seeking a

binding advance ruling under the Income Tax Act, 1961 (IT Act) regarding taxability of the above mentioned payment, which ruling was pronounced in October 2011.

In January 2012, Upaid and the Company executed a Supplemental Settlement Agreement to clarify certain provisions of the Settlement Agreement and in accordance therewith, the Company discharged in February 2012 all payment obligations to Upaid aggregating USD 59 Million (equivalent to ₹ 30459 Lakhs) and applicable interest. The remittances were affected after deduction of applicable withholding taxes in India. Accordingly, the Texas Action and all other actions related to this matter in the US Courts have been dismissed.

#### **11. Class action complaint**

Subsequent to the letter by the erstwhile Chairman (Refer Note 6), a number of persons claiming to have purchased the Company's securities had filed class action lawsuits against the Company, its former auditors and others in various courts in the USA alleging violations of the United States federal securities laws. 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 "USDC"). The Class Action Complaint sought 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.

During the previous year, the class action complaint was settled for USD125 Million ("Settlement Amount") and 25% of any net recovery that the Company may in the future obtain against any of the former auditors.

The USDC granted final approval to the Settlement Agreement in September 2011. The settlement has become effective pursuant to its terms and in exchange for the Settlement Amount (net of deductions), the Lead Plaintiffs and the members of the Class who do not opt-out of the Class, would release, among other things, their claims against the Company.

The Settlement Amount was deposited in an escrow account, of which a portion has been paid out for expenses and charges in accordance with the Settlement Agreement and the balance amount of USD 101 Million (equivalent to ₹ 45153 lakhs) would be remitted to the Class Members after the determination of the applicability of withholding tax by the Authority for Advance Rulings (AAR).

#### **12. Other regulatory non-compliances/breaches**

The present Management 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 - payment of remuneration /commission to whole-time directors/non-executive directors in excess of the limits prescribed under the Act, unauthorised borrowings, excess contributions to Satyam Foundation, loan to ASOP Trust (Satyam Associate Trust) without prior Board approval under the Act, delay in deposit of dividend in the bank, dividend paid without profits, non-transfer of profits to general reserve relating to interim dividend declared, utilisation of the Securities Premium account, declaration of bonus shares, violation of SEBI ESOP Guidelines and certain violations as per SFIO reports. In respect of some of these matters, the Company has applied to the Hon'ble Company Law Board for condonation and is proposing to make an application to the other appropriate authorities, where applicable, for condoning the remaining non-compliances and breaches relating to the Company. Any adjustments, if required, in the financial statements of the Company, would be made as and when the outcomes of the above matters are concluded.

#### **13. Internal control matters**

Pursuant to an evaluation of the internal controls in the Company by the current Management for the year ended March 31, 2009, various deficiencies and weaknesses were identified.

Over the past three financial years i.e. 2009-10, 2010-11 and 2011-12, the Company under the new management took several steps including *inter-alia* appointing a new audit committee, revising the code of Ethical Conduct, nominating a Corporate Ombudsman and formulating an entity wide risk management policy duly approved by the Board. The internal audit function has also been strengthened by appointing a reputed and independent external agency as the Internal Auditor.

Amongst the initiatives, the Management has carried out a complete analysis of unexplained / un-reconciled balances between various sub-systems / sub-ledgers and the general ledger and the same has been appropriately dealt with in the

accounts (Refer Note 14). In addition, physical verification of fixed assets has been conducted in accordance with a defined program by the Management and the deficiencies that were noticed were appropriately dealt with in the books.

Further, the new Management, for the purpose of ensuring appropriate controls over the financial reporting process and the preparation of the financial results, 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.

The software platforms including the ones used for financial reporting are non-integrated contributing to certain deficiencies in IT General and Application controls, and, therefore, compensating manual reconciliations are carried out as mentioned above. In addition, the Management is evaluating migration to a new ERP in a phased manner.

As at March 31, 2012, the new Management's efforts have resulted in improved controls over the process of revenue recognition, receivables management, approval mechanisms and the preparation and review of material account balances, which have reached a stage so as to provide reasonable level of assurance regarding these account balances in the preparation and presentation of the financial statements.

#### **14. Year-end reporting**

As stated above, with respect to some of the key business processes like revenues, expenses, payroll, fixed assets, etc., the Company uses various sub-systems which are not integrated with the financial reporting package maintained by the Company. Within the financial reporting package, there are also sub-ledgers and general ledger. In this respect, certain unexplained differences were noted in the previous years between the sub-systems / sub-ledgers and the general ledger for which reconciliations have been completed as at March 31, 2012 and appropriately dealt with in the books.

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, others etc., for confirming the year end balances/other details.

With respect to the cases where the balances/other details were not confirmed by customers/vendors the Company has confirmed these balances based on alternate procedures and adjustments, where required, including provision for doubtful receivables and provision for expenses, have been carried out in the financial statements based on the information available with the Management.

#### **15. Hedge accounting**

Upto March 31, 2011, forward contracts (derivative contracts) which were used to hedge the Company's risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions were marked to market as at the Balance Sheet date and the unrealised losses, if any, were dealt with in the Statement of Profit and Loss and unrealised gains, if any, on such derivatives were not recognised in the Statement of Profit and Loss.

With effect from April 1, 2011, the Company has applied the hedge accounting principles set out in Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS 30) in respect of such derivative contracts designated in a hedging relationship to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecast transactions. Accordingly, in respect of all such contracts outstanding as on March 31, 2012, that were designated and effective as hedges of the hedged transactions, loss aggregating ₹ 3434 Lakhs (net) has been recognized directly in the Hedging reserve account.

Consequent to the above change, profit amounting to ₹ 5820 Lakhs for the quarter and loss amounting to ₹ 3944 Lakhs for the year ended March 31, 2012, respectively, which would have been recognized in the Statement of Profit and Loss had the Company followed its earlier policy of providing for the losses on such derivative contracts which were marked to market, has not been recognised in the Statement of Profit and Loss for the said periods.



16. Other income includes:

(₹ In Lakhs)

Particulars	Quarter ended March 31, 2012 Unaudited (Refer Note 20)	Quarter ended December 31, 2011 Unaudited	Quarter ended March 31, 2011 Unaudited	Year ended March 31, 2012 Audited	Year ended March 31, 2011 Audited
Gain / (Loss) on Exchange Fluctuations (Net)	(5883)	6639	1677	6387	4850

17. Exceptional items

The exceptional items (income) / expenditure are stated as under:

(₹ In Lakhs)

Particulars *	Quarter ended March 31, 2012 Unaudited (Refer Note 20)	Quarter ended December 31, 2011 Unaudited	Quarter ended March 31, 2011 Unaudited	Year ended March 31, 2012 Audited	Year ended March 31, 2011 Audited
Provision for contingencies relating to various disputed matters	25594	-	-	25594	-
Expenses related to forensic investigation and litigation support	-	-	250	-	2004
Class action settlement consideration	-	-	56900	-	56900
Provisions/(reversals) for impairment losses in subsidiaries	(36534)	-	-	(36534)	5203
<b>Total</b>	<b>(10940)</b>	<b>-</b>	<b>57150</b>	<b>(10940)</b>	<b>64107</b>

\* Exceptional items also include disputed matters settled, net of release from provision for contingencies:

- (i) for the quarter and year ended March 31, 2012 includes ₹ Nil (net) (₹ 31126 Lakhs less reversal of an equivalent amount from provision for contingencies).
- (ii) for the quarter and year ended March 31, 2011 includes ₹ Nil (net) (₹ 5083 Lakhs less reversal of an equivalent amount from provision for contingencies).

18. Employee benefits expense

Employee benefits expense for the current year includes an amount of ₹ 5900 lakhs provided in respect of certain costs relating to overseas employees for earlier years which has been determined by the Company based on a review substantially completed during the current year.

19. Tax expense

Current tax

The Company has made provision towards current tax in respect of its domestic operations for the year ended March 31, 2012. 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. Based on professional advice, it has determined that the provision made currently is adequate and no additional provision for current tax for the current year needs to be made in respect of the same.

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## Deferred tax

No deferred tax asset was recognised as at March 31, 2011 on account of accumulated business losses and other items in the absence of virtual certainty of realisation of such assets. In view of the current year profits, as permitted by the Accounting Standard (AS) 22 on Accounting for Taxes on Income, the Management has recognized deferred tax assets as at March 31, 2012 including the past unrecognized deferred tax assets as of date.

### 20. Quarter ended March 31, 2012

The figures of the quarter ended March 31, 2012 are the balancing figures between the audited figures of the full financial year ended March 31, 2012 and the published year to date figures upto the nine months ended December 31, 2011.

### 21. Previous period figures

Previous period figures have been regrouped, wherever necessary.

### 22. Qualifications in the audit report

*The qualifications made by the Auditors in their audit report for the year ended March 31, 2012 are set out as under:*

- 22.1 (a) Inability to comment on any adjustments/disclosures which may become necessary as a result of further findings of the ongoing investigations/proceedings by the regulatory authorities and the consequential impact, if any, on the financial results.
- (b) Inability to comment on the accounting treatment/disclosure of the unexplained amounts aggregating ₹113932 Lakhs accounted under "Unexplained differences suspense account (Net)" which was fully provided in the financial results for the year ended March 31, 2009.
- (c) Inability to determine whether any adjustments/disclosure will be required in respect of the alleged advances amounting to ₹123040 Lakhs (net) and in respect of the non-accounting of any damages / compensation / interest in the financial results.
- 22.2 Inability to comment on the consequential impact, if any, in relation to certain lawsuits (the "Aberdeen Action", USA and the "Aberdeen Complaint", UK) filed by certain investors in the United States of America and the United Kingdom, the outcome of which is not determinable at this stage.
- 22.3 Inability to comment on the adequacy or otherwise of the provision for taxation pertaining to prior years and the consequential impact, if any, due to uncertainties regarding the outcome of the tax disputes and the tax demands pending before various authorities.

### 23. Responses to Auditors' qualification

- 23.1 (a) With regard to the Auditors' qualification in Note 22.1(a), refer to assessment of the Management in Note 6.7.
- (b) With regard to the Auditors' qualification in Note 22.1(b), refer to Note 6.2 which specifies the nature, amount and accounting treatment for the same.
- (c) With regard to the Auditors' qualifications in Note 22.1(c), refer Note 6.3 for details.
- 23.2 With regard to the Auditors' qualification in Note 22.2 above, based on legal advice, the Company is contesting the said lawsuits, the outcome of which is not determinable at this stage. Also refer to Note 7.1 and Note 7.2.
- 23.3 With regard to the Auditors' qualification in Note 22.3 above, refer Note 7.4 for details.



24. Segment Reporting

(₹ In Lakhs)

Sl. No.	Particulars	Quarter ended March 31, 2012		Quarter ended March 31, 2011		Year ended March 31, 2012		Year ended March 31, 2011	
		Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
1	<b>Segment revenue</b>								
	Information technology services	163489	168470	134758	134758	627482	627482	505118	505118
	BPO	4129	4089	3254	3254	15012	15012	11179	11179
	Unallocated	-	-	-	-	-	-	-	-
	Total	167618	172559	138014	138014	642494	642494	516297	516297
	Less: Inter segment revenue	1034	751	478	478	2938	2938	1791	1791
	Net Sales / Income from operations	166584	171808	137536	137536	639556	639556	514506	514506
2	<b>Segment profit / (loss) before tax, interest and depreciation</b>								
	Information technology services	24324	23169	15647	15647	84574	84574	32306	32306
	BPO	1378	1115	423	423	3080	3080	40	40
	Total	25702	24284	16070	16070	87654	87654	32346	32346
	Less : (i) Interest and Financing Charges	253	270	244	244	1180	1180	970	970
	(ii) Other Unallocated expenditure/income	(17507)	(14800)	49571	49571	(51803)	(51803)	39985	39985
	Total Profit/ (Loss) before tax	42956	38814	(33745)	(33745)	138277	138277	(8609)	(8609)
3	<b>Capital employed</b>								
	Information technology services	265523	255725	155247	155247	265523	265523	155247	155247
	BPO	6163	5288	3073	3073	6163	6163	3073	3073
	Unallocated	151581	105128	139548	139548	151581	151581	139548	139548
	Total Capital employed**	423267	366141	297868	297868	423267	423267	297868	297868

\*\* The above excludes adjustments for Amounts Pending Investigation Suspense Account (Net) amounting to ₹ 123040 Lakhs (Refer Note 6.3)

Notes on Segment information:

1) The Group evaluates operating segments based on the following two business groups:

a. 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.

b. BPO, providing Business Process Outsourcing services covering HR, Finance & Accounting, Customer Contact (Voice, Mail and Chat), and Transaction Processing (industry-specific offerings).

2) Previous period figures have been regrouped, wherever necessary.

For and on behalf of the Board of Directors



Vincet Nayyar  
Chairman

Place: Hyderabad  
Date: May 17, 2012