



## 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.

### UNAUDITED STANDALONE FINANCIAL RESULTS for the Quarter ended June 30, 2010 and Quarter and Half Year ended September 30, 2010

(₹ in Million)

Sl. No	Particulars	Quarter ended September 30, 2010 Unaudited	Quarter ended June 30, 2010 Unaudited	Half Year ended September 30, 2010 Unaudited	Year ended March 31, 2010 Audited
1.	<b>Income from Operations</b>	<b>11,508</b>	<b>11,541</b>	<b>23,049</b>	51,005
2.	<b>Expenditure</b>				
	Employee Cost	8,389	7,958	16,347	36,648
	Operating and Administration Expenses	2,407	2,494	4,901	8,692
	Depreciation	379	406	785	1,908
	<b>Total</b>	<b>11,175</b>	<b>10,858</b>	<b>22,033</b>	<b>47,248</b>
3.	Profit from Operations before Other Income, Interest & Exceptional Items (1-2)	<b>333</b>	<b>683</b>	<b>1,016</b>	<b>3,757</b>
4.	Other Income – (Refer Note 11)	327	710	1,037	116
5.	Profit before Interest & Exceptional Items (3+4)	<b>660</b>	<b>1,393</b>	<b>2,053</b>	<b>3,873</b>
6.	Interest and Financing Charges	22	24	46	254
7.	Profit after Interest but before Exceptional Items (5-6)	<b>638</b>	<b>1,369</b>	<b>2,007</b>	<b>3,619</b>
8.	Exceptional Items (Refer Note 10)	84	79	163	4,169
9.	Profit / (Loss) before Tax (7-8)	<b>554</b>	<b>1,290</b>	<b>1,844</b>	<b>(550)</b>
10.	Tax Expense	269	250	519	162
11.	Net Profit / (Loss) after Tax (9-10)	<b>285</b>	<b>1,040</b>	<b>1,325</b>	<b>(712)</b>
12.	Paid-up Equity Share Capital (Face Value of ₹2/- per Share)	2,353	2,353	2,353	2,352
13.	Reserve excluding Revaluation Reserves				20,617
14.	Earnings Per Share (EPS) (Face value of ₹2/- per Share) (After Exceptional Items)				
	- Basic (in ₹)	0.24*	0.88*	1.13*	(0.65)
	- Diluted (in ₹)	0.24*	0.88*	1.12*	(0.65)
15.	Public Shareholding #				
	- Number of Shares	543,532,139	543,470,540	543,532,139	543,361,290
	- Percentage of Shareholding	46.20	46.20	46.20	46.19
16.	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	501,843,740	501,843,740	501,843,740	501,843,740
	- Percentage of Shares (as a % of the total shareholding of the Promoter and Promoter group)	100	100	100	100
	- Percentage of Shares (as a % of the total share capital of the company)	42.66	42.66	42.66	42.67

\* Not annualised

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

**Notes to the unaudited standalone financial results for the quarter ended June 30, 2010 and quarter and half year ended September 30, 2010:**

**1. Unaudited standalone statement of assets and liabilities**

<b>Particulars</b>	<b>(₹ in Million)</b>	
	<b>As at September 30, 2010 Unaudited</b>	<b>As at March 31, 2010 Audited</b>
<b>Shareholders' Funds</b>		
(a) Capital	2,353	2,352
(b) Share Application Money Pending Allotment	3	1
(c) Reserves and Surplus	43,922	43,963
<b>Loan Funds</b>	341	420
<b>SUB-TOTAL</b>	<b>46,619</b>	<b>46,736</b>
<b>Amounts Pending Investigation Suspense Account (Net)</b> (Refer Note 8.1)	12,304	12,304
<b>TOTAL</b>	<b>58,923</b>	<b>59,040</b>
<b>Fixed Assets</b>	8,356	9,060
<b>Investments</b>	5,723	7,266
<b>Current Assets, Loans and Advances</b>		
(a) Inventories	-	-
(b) Sundry Debtors	10,240	8,505
(c) Cash and Bank Balances	24,330	20,920
(d) Other Current Assets	4,417	4,717
(e) Loans and Advances	4,044	3,791
<b>Less: Current Liabilities and Provisions</b>		
(a) Liabilities	8,900	7,890
(b) Provisions	11,308	10,675
<b>Profit and Loss Account</b>	22,021	23,346
<b>SUB-TOTAL</b>	<b>58,923</b>	<b>59,040</b>
<b>Unexplained Differences Suspense Account (Net)</b> (Refer Note 7)		-
<b>TOTAL</b>	<b>58,923</b>	<b>59,040</b>

- The Honourable Company Law Board (CLB) vide its orders dated June 30, 2010 and July 06, 2010 has exempted the Company from publication of financial results for the quarters ended from December 31, 2008 to March 31, 2010 and permitted to publish the financial results for the quarter ended June 30, 2010 along with financial results for the quarter ended September 30, 2010. As such, the corresponding quarterly and half yearly figures for the previous year are not provided.
- The trading of the Company's ADS has been moved from the New York Stock Exchange (NYSE) to the Pink OTC (Over-The-Counter) market effective October 14, 2010.
- During the quarter ended June 30, 2010 and September 30, 2010, the Company allotted 144,414 Equity Shares and 94,695 Equity Shares, respectively, of ₹2 each, consequent to exercise of stock options by the Associates.
- Details of investor complaints for the quarter ended June 30, 2010:

<b>Nature</b>	<b>Pending as at April 1, 2010</b>	<b>During the quarter</b>		<b>Pending as at June 30, 2010</b>
		<b>Received</b>	<b>Disposed off</b>	
Dividend related	-	2	2	-
Others	-	1	1	-
<b>Total</b>	-	<b>3</b>	<b>3</b>	-

Details of investor complaints for the quarter ended September 30, 2010:

Nature	Pending as at	During the quarter		Pending as at
	July 1, 2010	Received	Disposed off	September 30, 2010
Dividend related	-	11	11	-
Others	-	6	6	-
<b>Total</b>	-	<b>17</b>	<b>17</b>	-

## 6. Financial irregularities

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. Consequently, various regulators have initiated their investigations and legal proceedings, which are ongoing.

As per the assessment of the Management, based on the forensic investigation carried out and the information available, all identified/required adjustments/disclosures arising from the financial irregularities were made in the financial statements as at March 31, 2009. The Company has not received any further information which requires financial adjustments.

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 results, 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. The Company, based on the forensic investigation, during FY 2008-09 due to non-availability of complete information, accounted ₹11,394 Million under "Unexplained Differences Suspense Account (Net)" and the same was fully provided for on grounds of prudence. The Company has not received any further information which requires financial adjustments.

## 8. Commitments and contingencies (Updates since the previous announcement made under Clause 41)

### 8.1 Alleged Advances

With reference to the understated liability of ₹12,304 Million in the Balance Sheet of September 30, 2008 referred to by the erstwhile Chairman in his letter, the Company received legal notices from thirty seven companies claiming repayment. The Company has not acknowledged any liability, replied that the claims are legally untenable and is now contesting the thirty seven suits filed (as indigent person) by the said companies before the City Civil Court, Secunderabad. Further, in view of Directorate of Enforcement (ED) investigations under the Prevention of Money Laundering Act, 2002, the Company is directed not to return the alleged advances, which have been classified separately as 'Amounts Pending Investigation Suspense Account (Net)'. Since the matters are *sub judice* and investigations by various Government Agencies are in progress, the Management is not in a position to predict the outcome of the legal proceedings.

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

In connection with the lawsuit filed by Upaid, the Company deposited USD 70 Million (equivalent to ₹3,274 Million) during FY2009-10 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.

Subsequently, the Company obtained a favourable ruling 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), regarding taxability of the above mentioned payment. The order of the Authority for Advance Rulings has not been delivered till date.

Pending resolution of dispute, action commenced by Upaid in Texas Action is currently adjourned.

### 8.3 Class Action Complaints

Subsequent to the letter by the erstwhile Chairman, a number of persons claiming to have purchased the Company's securities 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 '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.

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 mentioned above. The Action, which has been brought as an individual action, alleges that the losses suffered by the twenty investors 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.

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.

### 8.4 SEC Proceedings

The Division of Enforcement ('Division') of the SEC is conducting a formal investigation, with which the Company is cooperating fully, into misstatements in the Company's financial statements predating January 7, 2009. The Company has received a 'Wells Notice' from the Division during FY 2009-10. The outcome of this matter is not determinable at this stage.

### 8.5 Income tax matters

#### a) Petition before Central Board of Direct Taxes (CBDT)

The Company had filed a petition before CBDT requesting for stay of demands for Financial Years (FY) 2002-03 to FY 2007-08 aggregating ₹5,032 Million till the correct quantification of income and taxes payable is done for the respective years. The CBDT directed the Director General of Income Tax (Investigation) (DGIT) to dispose off the said stay petition of the Company. The DGIT vide order dated October 21, 2010 has rejected the stay petition filed by the Company and consequently, the Additional Commissioner of Income Tax issued an Order directing the Company to pay the outstanding demand of ₹5,032 Million.

The Company vide its letter dated October 27, 2010 has filed a petition with the CBDT praying for grant of stay of collection of all the tax demands for the FY 2002-03 to 2007-08, till the correct quantification of income and taxes payable by the Company.

#### b) Provision for Tax

The Company is carrying a total amount of ₹4,230 Million (net of payments) and ₹3,686 Million (net of payments) as at September 30, 2010 and March 31, 2010, respectively towards provision for taxation. Considering the effects of financial irregularities, status of disputed tax demands, appeals / claims pending before the various authorities, consequent uncertainties regarding the outcome of this 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.

9. The Board vide its resolution dated July 27, 2010 decided to exit from one of its unit at Chennai "Shriram The Gateway SEZ" (STG). The Management has decided to sell all the assets of the STG unit aggregating ₹334 Million and no impairment loss has been recognised on these assets.

## 10. Exceptional Items

The exceptional items (expenditure) are stated as under:

Particulars	(₹ In Million)			
	Quarter ended September 30, 2010 Unaudited	Quarter ended June 30, 2010 Unaudited	Half Year ended September 30, 2010 Unaudited	Year ended March 31, 2010 Audited
Expenses related to restructuring / right sizing	-	-	-	934
Expenses related to forensic investigation and litigation support	84	79	163	1,068
Provision for impairment losses in subsidiaries	-	-	-	2,167
<b>Total</b>	<b>84</b>	<b>79</b>	<b>163</b>	<b>4,169</b>

## 11. Other Income includes:

Particulars	(₹ In Million)			
	Quarter ended September 30, 2010 Unaudited	Quarter ended June 30, 2010 Unaudited	Half Year ended September 30, 2010 Unaudited	Year ended March 31, 2010 Audited
Gain / (Loss) on Exchange Fluctuations (Net)	(65)	328	263	(868)

## 12. Previous period financial results

The comparative figures for the year ended March 31, 2010 have been re-grouped / re-classified to conform to the figures for the quarter ended June 30, 2010 and quarter and half year ended September 30, 2010.

## 13. The Qualifications in the limited review report

*The qualifications made by the Auditors in their limited review report for the quarter ended June 30, 2010 and quarter and half year ended September 30, 2010 are set out as under. These qualifications were also made in the Auditors report for the year ended March 31, 2010.*

- 13.1 Inability to comment whether any adjustments/disclosures which may become necessary as a result of further findings of the ongoing investigations by the regulatory authorities and the consequent impact, if any, on the financial results.
- 13.2 Inability to comment on the accounting treatment/disclosure of the unidentified amounts aggregating ₹11,394 Million accounted under "Unexplained Differences Suspense Account (Net)" and fully provided in the financial results for the year ended March 31, 2009.
- 13.3 Inability to determine whether any adjustments/disclosure will be required in respect of the alleged advances amounting to ₹12,304 Million (net) and in respect of the non-accounting of any damages / compensation / interest in the financial results.
- 13.4 Inability to comment on the consequential impact, if any, in relation to class action lawsuits the outcome of which is not determinable at this stage.
- 13.5 Inability to determine the additional impact, if any, in respect of amounts remaining as unreconciled with respect to the sub-systems and sub-ledgers and the general ledgers due to non-availability of all the required information.
- 13.6 Inability to determine the impact of depreciation and non-compliance with AS-19 Leases with respect to the vehicles provided to the employees of the Company.
- 13.7 No proper records maintained of inventories pertaining to the period.

- 13.8 Inability to determine the additional impact, if any, in view of accounting for certain transactions/making the required disclosure related to the same based on and to the extent of the information available with the Company with respect to:
- a. Adjustment of unapplied receipts against Sundry Debtors and provisioning for doubtful debts.
  - b. Accounting for contracts under percentage of completion method and unbilled revenue.
  - c. Accounting for multiple deliverables elements, hardware equipments and other items etc.
  - d. Accounting for unearned revenue.
  - e. Accounting for reimbursements/recoveries from customers.

13.9 Inability to comment on the adequacy or otherwise of the provision for taxation and consequential impact, if any, due to uncertainties regarding the outcome of tax disputes and tax demands pending before various authorities.

#### 14. **Responses to Auditors' qualification**

14.1 With regard to the Auditors' qualification in Note 13.1 above, refer assessment of the Management in Note 6 above.

14.2 With regard to the Auditors' qualification in Note 13.2 above, refer to Note 7 which specifies the nature, amount and accounting treatment for the same.

14.3 With regard to the Auditors' qualifications in Notes 13.3 above, refer Note 8.1 for details.

14.4 With regard to the Auditors' qualification in Note 13.4 above, based on the legal advice, the Company is contesting the above lawsuits, the outcome of which is not determinable at this stage. Also refer to Note 8.3.

14.5 With regard to the Auditors' qualification in Note 13.5 above, adjustments arising on account of several reconciliations between the sub-systems/sub-ledgers and the general ledgers have been carried out to the extent feasible by the Management, based on the available information. Based on the same, the Company had identified certain transactions amounting to ₹47 Million (net debit) as at March 31, 2010, for which the complete details were not available and hence, these amounts have been treated as "Unexplained Differences Suspense Account (Net)" in the statement of assets and liabilities. The Management had provided for the unreconciled net amount of ₹47 Million as at March 31, 2010, on grounds of prudence.

14.6 With regard to the Auditors' qualification in Note 13.6, the Associate Car Purchase Scheme is not currently in operation. The Net Book Value of the vehicles provided to employees under the Associate Car Purchase Scheme as at June 30, 2010 and September 30, 2010 are ₹153 Million and ₹118 Million, respectively. The Net Book Value of the total fixed assets as at June 30, 2010 and September 30, 2010 are ₹4,990 Million and ₹4,670 Million, respectively.

14.7 With regard to the Auditors' qualifications in Notes 13.7, the Management has made disclosures based on available information.

14.8 With regard to the Auditors' qualifications in Notes 13.8 the Company has accounted for these transactions based on and to the extent of the information available.

14.9 With regard to the Auditors' qualification in Note 13.9, refer assessment of the Management in Note 8.5.

#### 15. **Subsidiaries**

During the quarter ended June 30, 2010, in furtherance to the agreement entered into with the shareholders of S&V Management Consultants NV, Belgium ("S&V"), the Company, through its subsidiary Satyam Computer Services Belgium, BVBA (Satyam Belgium) has paid further deferred and conditional payment aggregating to ₹238 Million.

16. The above unaudited results for the quarter ended June 30, 2010 and quarter and half year ended September 30, 2010 were approved by the Board of Directors at its meeting held on November 15, 2010. The Statutory Auditors have carried out a limited review of these financial results.

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

Place: Hyderabad  
Date: November 15, 2010

**Vineet Nayyar**  
**Chairman**