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SATYAM COMPUTER SERVICES LIMITED

MINUTES OF MEETING OF THE BOARD OF DIRECTORS OF THE COMPANY HELD ON TUESDAY, DECEMBER 16, 2008 AT 4.00 P.M AT SATYAM INFOCITY, HITECH CITY, MADHAPUR, HYDERABAD - 500 081

Directors present

Prof. M. Rammohan Rao	Chairman of the meeting
Mr. B. Ramalinga Raju	Chairman
Mr. B. Rama Raju	Managing Director
Mr. Ram Mynampati	Whole time director
Dr. (Mrs) Mangalam Srinivasan	Director
Mr. T.R. Prasad	Director
Prof. V.S. Raju	Director
Prof. Krishna G. Palepu	Director (participated through audio conference)
Mr. Vinod K Dham	Director (participated through audio conference)

In attendance

Mr. V. Srinivas, Chief Financial Officer (CFO)
Mr. G. Jayaraman, Company secretary

Invitees

Mr. Srinivasu Satti, Head – Mergers and Acquisitions

Election of Chairman for this meeting

Since, Mr. B. Ramalinga Raju, Chairman is interested on one of the items to be considered in this meeting, members unanimously resolved to elect Prof. M. Rammohan Rao as the chairman of this meeting. Accordingly, Prof. M. Rammohan Rao chaired the meeting and conducted the proceedings.

1. Leave of absence

Prof. Krishna G. Palepu and Mr. Vinod K Dham participated in the meeting through audio conference. Leave of absence was granted to them in view of the technical requirements.

2. Minutes of previous meeting

Minutes of previous meeting held on October 17, 2008 were posted on the Board room portal and intimated the directors vide email dated November 3, 2008, for the information and review of members. The Board reviewed and confirmed the same in the meeting.

3. Acquisition proposals

Disclosure of interest by Mr. B. Ramalinga Raju, Chairman and B. Rama Raju, Managing Director:

Mr. B. Ramalinga Raju, Chairman and B. Rama Raju, Managing Director being interested and concerned in these proposals, disclosed the same and abstained from the discussions and voting on these proposals.

Prof. M. Rammohan Rao, Chairman of the meeting has taken up the item on the agenda relating to proposal for acquisition of Maytas Infra Limited and Maytas Properties Limited and requested Mr. Ram Mynampati, Whole time director and other management personnel to explain the rationale for these acquisitions with particular focus on diversification into different space and proposed valuations.

Mr. Ram Mynampati explained to the members the present scenario in IT markets and the need for diversification as given below.

- 1) Accelerated growth is very difficult under the current economic situation, for next 2 years.
- 2) Pricing & margin pressures and continued volatility on Forex.
- 3) 95% dependency on Developed markets, which are worst hit.
- 4) Certain discomfort around outsourcing views by US government.
- 5) Potential growth opportunities in emerging markets

Given the above, it has been felt that this is the time to adopt strategies for de-risking by diversification into different segments having potential growth opportunities and Infra consisting transportation, energy and irrigation, has immense potential, he further explained.

Mr. V. Srinivas, Chief Financial Officer explained on the proposed valuations and informed the members that the evaluation for Maytas Infra has been based on the SEBI (Substantial Acquisition and Takeovers) Regulations, 1997 and for Maytas Properties

based on the evaluation done by Ernst & Young one of the Big four accounting firms and requested Mr. Srinivasu Satti, Head M&A to make detailed presentation on the proposals.

Mr. Srinivasu Satti commenced the presentation by explaining the reasons for diversification into different segment. He explained to the members the growth trajectory in revenues of the Company over next 5 years and the challenging environment in IT space worldwide.

Mr. Satti then presented on the trends and demerits in acquiring IT assets and inheritance of many problems such as not attractive customers and competencies, very restrictive captives and skill levels are not commensurate with cost.

He continued his presentation on Emerging economies and role of hard infrastructure. He explained to the members on China and India with particular focus on Infrastructure spend in China and India and immense potential business opportunities in this space. He further presented to the members that the Governments all across the globe are giving impetus to Infrastructure spending to ward off unemployment, to create spending cycles and to aid economic growth. It was informed to the members based on industry reports that India will spend \$ 496 billion in the next 5 years and China will spend \$ 730 billion in the next 3 years, just for Roads / Ports.

Members noted the following in respect of synergies and imperatives on Infrastructure foray:

- i) Leveraging on Brand of Satyam to become an eminent player in Infrastructure as well.
- ii) Boot strapping a large vertical with synergies across Engineering, procurement, BPO and Manufacturing and Automobile Group.
- iii) Tools, processes and technology can be leveraged by the new business.
- iv) Evaluation of transformational services for testing ground in emerging markets.
- v) Leveraging global footprint for infrastructure business across countries.

Mr. V. Srinivas, Chief Financial Officer added that we can establish leadership in both segments and the acquisition facilitates Differentiated acceleration of growth.

The growth prospects of the entities at individual and combined level in terms of revenues and profit after tax were presented to the members.

Mr. V. Srinivas proposed to the members the price per share of Rs. 525 to the public shareholders to acquire 20% through open offer and Rs. 475 per share to the promoters of the Maytas Infra for acquisition of 31%. Based on this, the total consideration comes to Rs. 1,504.10 crores (US\$ 306.95 mn), he added. He further explained that the price to public shareholders is subject to change, depending on the movement in share price of Maytas Infra in the stock exchange between now and the date of public announcement.

Mr. V. Srinivas then proposed, based on the evaluation done by Ernst & Young that the consideration for acquisition of Maytas Properties as a wholly owned subsidiary as Rs. 6,410 crores (US \$ 1,308.16 mn).

Members noted that the total consideration for the acquisition of Maytas Infra and Maytas Properties as Rs. 7,914.10 crores (US\$ 1,615.11 mn).

Mr. Srinivasu Satti summarized his presentation by explaining to the members the following:

- i) Birth of large vertical to build domain competencies and higher end services
- ii) De-risking
- iii) Synergies
- iv) Access to emerging markets
- v) Accelerated growth

Prof. Rammohan Rao, Chairman of the meeting thanked Mr. Ram Mynampati, Mr. V. Srinivas and Mr. Satti for the detailed presentation and explanations and requested the Board members to offer their comments. The presentation forms part of these minutes.

Dr. Mangalam Srinivasan, Director enquired if there are any particular reason either external or internal for this initiative and timing of the proposal. Mr. Ram Mynampati informed about the current down turn and challenging times in the market place. Given the opportunity with well synergies, it has been felt that this is the right time to de-risk.

Dr. Mangalam Srinivasan suggested to involve the Board members right from the beginning of the process to avoid the impression that the Board is used as rubber stamp to affirm the consequent or decisions already reached.

Prof. Rao asked if this would amount to dilution of core competency in IT business as the proposed acquisitions are in unrelated businesses. It was informed that given the synergies and opportunities for entering into emerging markets as explained in the presentation, there would not be any impact to the core IT business and in fact the new space would complement the IT business growth. Prof. Rao then wanted to know the risks involved in this diversifying strategy. It was mentioned that there may be some risk but it can only be known from the market place.

Mr. Vinod also enquired about the time of the event and Mr. V. Srinivas informed that Year 2000 was defining moment and organizations responded through enhancing value and now we wanted to respond by driving across industries and verticals for diversification.

Mr. T.R. Prasad stated that Indian economy is growth oriented and Infra is clearly seen as a definitive growth story.

It was further informed to the members that Hyderabad Metro project is 4 to 5 times of Bangalore and Hyderabad Airports and largest BOT in the country.

Regarding questions on price for the open offer, Mr. Jayaraman, Company Secretary clarified that as per the SEBI regulations offer price shall be highest of the following:

(a) the negotiated price under the agreement, if any.

(b) price paid by the Company or persons acting in concert with him for acquisition, if any, including by way of allotment in a public or rights or preferential issue during the twenty six week period prior to the date of public announcement, whichever is higher;

(c) the average of the weekly high and low of the closing prices of the shares of the target company as quoted on the stock exchange where the shares of the company are most frequently traded during the twenty six weeks or the average of the daily high and low of the prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement, whichever is higher.

He further informed that in almost all the recent open offers, the negotiated price has been higher by more than 30%.

Since the transactions are among the related parties, the price offered to the promoters of Maytas Infra is lower than current market price of about Rs. 490- and is about 90% of price proposed for public under open offer, Mr. Jayaraman further added.

Prof. V.S. Raju and Mr. T.R. Prasad commented that considering the existing market price, the pricing for public is generous.

On an enquiry by Prof. Rao about the competitive bid, Mr. Jayaraman, clarified that given requirement of SEBI regulations that the Competitor has to bid from both promoters and public for which the possibilities are very distant.

Mr. Vinod Dham opined that since the transactions are among related parties, it is important to demonstrate as to how the acquisition would benefit the shareholders of the Company and enhance their value.

Mr. V. Srinivas informed the members that as against the evaluation of Rs. 6,523 crores done by E&Y for Maytas Properties, we have considered only Rs. 6,410 crores. It was further informed that the title diligence was done by Luthra and Luthra, a Delhi based law firm.

In view of the non disclosure agreement with the valuer, we are not able to disclose the name of the valuer to the public, Mr. Srinivas further informed.

Mr. Srinivas further stated that Maytas Properties has land bank of 6,800 acres and can construct 245 mn sft. This is almost 1/3 of DLF's properties but the valuation considered is 1/10 of DLF valuation, Mr. Srinivas informed.

Prof. Krishna Palepu, Director, pointed out that it is important to ensure that each of the organizations is able to excel in its own domain, and at the same time synergies are created between different entities. This is a challenge associated with the proposed acquisitions, and it needs to be managed well. Mr. Srinivas responded by explaining that by FY 2010, 25% of Revenues will come from two entities.

Mr. Srinivas further informed to the members that the market is talking about de-growth for IT industry and with this acquisition, US\$ 800 mn out of US\$ 3 billion will be from Infra segment and will go upto 33% by FY 2011. There will be a nominal dilution in EPS for FY 2010 and for FY 2011, it will show 25% growth in EPS, he added.

At this stage Prof. Rao invited the management of Maytas Infra Limited, Mr. Teja Raju, Vice Chairman, Mr. Mohan Gurunath, Head – Strategic Business and Mr. VVR Raju, Chief Financial Officer for the presentations and discussions.

Thereafter management of Maytas Infra Limited made a presentation, which forms part of these minutes, to the Board on the company.

For a question by members about effect of this transaction on the Associates of Maytas Infra, Mr. Mohan informed the members that there are many similarities in SatyamWay and MaytasWay and hence integration culturally or otherwise will not pose any challenge.

When asked about debt-equity ratio of Maytas Infra, Mr. VVR Raju informed it as 1:1.6.

Thereafter members deliberated and discussed various other matters with the management of Maytas Infra and thanked them for their presentation and providing information and details.

Prof. Rao then invited the management of Maytas Properties, Mr. K. Thiagarajan, Chief Executive Officer and Mr. Badri, Chief Financial Officer for the presentation and discussions.

Thereafter management of Maytas Properties made a presentation, which forms part of these minutes, to the Board on the company.

Mr. K. Thiagarajan informed the members that Maytas Properties has not leveraged private equity despite huge land bank.

To a question of Dr. Mangalam Srinivasan on the nature of guarantees given to banks, it was clarified that land and developments are given as collateral securities.

Mr. T.R. Prasad, Director asked about the number of acres mortgaged with Banks / Financial Institutions out of 6,800 acres and Mr. Badri informed that 110 acres have been mortgaged with Banks / Financial Institutions.

Prof. Rao after enquiring that there are no further questions from the members, thanked the management of Maytas Properties for their presentation and providing information and details.

Prof. Rao commented that while the transaction would add value to Satyam, there is a need to ensure that the valuation is up to date and it is done comprehensively using different methods and consultants. He also mentioned that there should be complete transparency and justification for the methodology to be adopted. He further advised that since it involves related parties, the transaction and its valuation should be communicated to all the concerned stakeholders. Prof. Rao then enquired whether shareholder's approval is required for these transactions. It was mentioned that in this case it was not required.

While Dr. Mangalam Srinivasan commented that this is encouraging good news, suggested the management to take Board's guidance at appropriate stages for all acquisitions.

Mr. V. Srinivas informed the members to the question on funding the acquisition that 75% of the acquisition would be funded through internal accruals and the 25% will be funded through debt.

Mr. T. R. Prasad further advised that valuation of Maytas Properties be done in three distinct categories namely,

- (i) completed projects for which the valuation be based on actuals,
- (ii) work-in progress for which valuation be brought in alignment with current market Realizations and
- (iii) For lands awaiting development, valuation be based on the basic market value notified by the state government for registration of sale of such lands. .

He further added that if the final valuation of Maytas Properties is significantly higher than aggregate of the above three valuations, full and proper justification be provided for such higher valuation to the satisfaction of the Board.

Prof. Krishna Palepu, Director stated that the proposed acquisitions have two complicated aspects – unrelated diversification, and related party transactions. He further stated that the presentations made to the Board articulate the strategic rationale for diversification. Management has assured the board that steps have been taken to satisfactorily address potential concerns associated with the related party transaction, namely independent valuation of Maytas Properties with conservative assumptions, and a price to promoters that is lower than the one being offered to public shareholders of Maytas Infra.

Both these issues will be of significant concern to investors and analysts, so it is very important that management makes the same compelling presentation to the investors as well to make sure that they appreciate these transactions enhance Satyam's long-term shareholder value, Prof. Palepu further added.

Thereafter, members enquired about intimation to Stock Exchanges about approval of the proposals and Mr. Jayaraman clarified that as per the listing agreement, the transaction is price sensitive and it should be intimated to the stock exchanges immediately without delay. He further added, since the markets in India are closed and markets in US are yet to open, it would facilitate enough cooling period for the information to get properly disseminated.

Prof. Rao after enquiring that there are no further comments from the members moved the following resolutions for approval of the proposals as reviewed and recommended by the investment committee of the Company.

a) Acquisition of Maytas Infra Limited

“RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions if any, of the Companies Act, 1956, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (SEBI Regulations), (including any statutory modifications or re-enactment thereof) and subject to the statutory approvals that may be required, the consent of the Board be and is hereby unanimously accorded to invest upto 100% of the free reserves by way of acquisition of shares/securities including convertible warrants / instruments from the existing shareholders or subscription to the new shares / securities, of Maytas Infra Limited either through share purchase agreements or open offer, as per the details given below subject to the aggregate investments together with loans and securities so far made or proposed to be made by the Company not exceeding the limits as specified under section 372A of the Companies Act, 1956, as may be valued by the Company based on the market price of share of Maytas Infra Limited or otherwise in consultation with bankers, consultants and other intermediaries, pursuant to the applicable statutory and regulatory requirements.

Mode of acquisition	No. of shares	% of the emerging share capital of Maytas Infra Limited	Price per share Rs.	Total Rs. in crores
Share purchase agreements	18,500,000	31	475/-	878.75
Open offer	11,911,300	20	525/-	625.35
Total	30,411,300	51		1,504.10

RESOLVED FURTHER THAT as required under SEBI Regulations, the consent of the Board be and is hereby accorded to issue Public Announcement offering to acquire 20% of emerging share capital of Maytas Infra Limited from its public shareholders through open offer.

RESOLVED FURTHER THAT any upward movement in market price in order to comply with SEBI regulations as far as pricing is concerned and also to enable to get public participation, the Board authorizes upward revision in the open offer price by 10% more than eligible price as computed under regulation 20 of SEBI regulations or the market price as the case maybe, anytime upto seven working days prior to the date of the closure of the Open offer.

RESOLVED FURTHER THAT if there is any upward revision in the open offer price, the price offered to promoters and other shareholders be increased not exceeding of 90% of such revision, as increase.

RESOLVED FURTHER THAT Mr. V. Srinivas, Chief Financial Officer and Mr. G. Jayaraman, Global Head–Corporate Governance & Company Secretary be and are hereby severally authorized on behalf of the Company in this regard:

- (i) To enter into and sign the Share Purchase Agreements including such other agreements and incidental documents, if any thereto,
- (ii) To appoint bankers, merchant banker, registrar to offer, legal counsels, advisors and such other intermediaries, as may be required from time to time,
- (iii) To open escrow account and advise transfer of consideration either by cash, bank guarantee or otherwise,
- (iv) To advise the merchant banker for issue of public announcements pursuant to SEBI Regulations,
- (v) To issue letter of offer to the shareholders of Maytas Infra Limited,
- (vi) To sign and submit all the required agreements and documents to the Maytas Infra Limited including its Board of directors, Securities and Exchange Board of India, Merchant Bankers, Registrar of Companies or such other regulatory authority/agency or intermediary.
- (vii) To make necessary changes and finalize the share purchase agreements and other related documents and to comply with terms and conditions of the Share purchase agreements.
- (viii) To do all acts including payment of consideration, stamp duty, taxes and related expenses and things that are required and incidental thereto, for the purposes completion of acquisition of shares of the Maytas Infra Limited as contemplated above.

RESOLVED FURTHER THAT Mr. V Srinivas, Chief Financial Officer and Mr. G. Jayaraman, Global Head – Corporate Governance & Company Secretary be and are hereby severally authorized to receive the share certificates and to sign share transfer deeds and execute such other incidental documents if any, required in this regard”.

The above resolution was passed unanimously by the Board.

b) Acquisition of Maytas Properties Limited

“RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof) and subject to the regulatory / statutory approvals that may be required, the consent of the Board be and is hereby unanimously accorded to invest upto Rs. 6,410 crores towards acquiring Maytas Properties Limited as a wholly owned subsidiary by way of acquisition of shares/securities including convertible warrants / instruments, from the existing shareholders or subscription to the new shares / securities, of Maytas Properties Limited, as may be valued by the Company in consultation with bankers, consultants and other intermediaries, pursuant to the applicable statutory and regulatory requirements.

RESOLVED FURTHER THAT Mr. V. Srinivas, Chief Financial Officer and Mr. G. Jayaraman, Global Head–Corporate Governance & Company Secretary be and are hereby severally authorized on behalf of the Company in this regard:

- (i) To enter into and sign the Share Purchase Agreements including such other agreements and incidental documents, if any thereto.
- (ii) To appoint bankers, legal counsels, advisors and such other intermediaries, as may be required from time to time.
- (iii) To make necessary changes and finalize the share purchase agreements and other related documents.
- (iv) To do all acts including payment of consideration, stamp duty, taxes and related expenses and things that are required and incidental thereto, for the purposes of completion of acquisition of shares of Maytas Properties Limited as contemplated above.

RESOLVED FURTHER THAT Mr. V Srinivas, Chief Financial Officer and Mr. G. Jayaraman, Global Head – Corporate Governance & Company Secretary be and are hereby severally authorized to receive the share certificates and to sign share transfer deeds and execute such other incidental documents if any, required in this regard.

The above resolution was passed unanimously by the Board.

Without prejudice to the unanimous approval by the Board members of the above resolution, Board members further reiterated that compliance shall be ensured for the comments made by all the directors as deliberated and discussed during this meeting, particularly that proper justification be provided to the Board members in the event the valuation of Maytas Properties Ltd. is significantly higher than the aggregate of the actual value of completed projects, current market realization value of the work-in-progress and the basic market value notified by the state government for registration of lands awaiting development.

4. Deferment of Investment in proposed joint venture company with Cisco

Mr. V. Srinivas informed to the members of the Board that at its meeting held on October 17, 2008, approved to form a joint venture company with Cisco to service customers in health management and related solutions and to invest in the share capital of the proposed subsidiary upto US\$82 million either by way of cash or kind including transfer of Intellectual Property.

Board was informed that in view of the current market conditions and expected delay in execution, it was proposed to defer the investments to be made in the joint venture company with Cisco.

Prof. M. Rammohan Rao enquired if the Company needs to announce this by way of press release and it was informed that the Company would check and act appropriately.

Members after due deliberations, approved the proposal and passed the following resolution.

“RESOLVED THAT the investment proposal either by way of cash or transfer of intellectual property of US\$ 82 mn in the share capital of the proposed Joint Venture Company with Cisco approved by the members in the Board meeting held on October 17, 2008 has been deferred and hence any future proposal for investment into the said joint venture requires fresh consideration and approval of the members accordingly.”

5. Consideration and approval of borrowing limits

Mr. V. Srinivas, Chief Financial Officer informed the members that as explained above the funding to the extent of 25% of the acquisition cost has been proposed to be met through debt and the balance through internal accruals.

He then requested the members to consider and approve the proposal for authorising the Company to borrow funds from various banks and / or financial institutions from time to time.

Members after due deliberations, approved the proposal and passed the following resolution.

RESOLVED THAT the consent of the Board be and is hereby accorded to the Company to borrow the funds up to such limits subject to the provisions of section 293(1)(d) of Companies Act, 1956, for the purposes of funding the acquisitions and operations of the company and in this regard, the management may approach various banks and / or financial institutions as may be identified in this regard for sanction of financial limits both fund based and non-fund based.

RESOLVED FURTHER that Mr. B.Ramalinga Raju, Chairman and Mr. B. Rama Raju, Managing Director of the Company be are hereby severally authorized to:

- i) to offer security and negotiate, finalize, vary / modify and implement the terms and conditions of the said financial facilities;
- ii) do such other deeds and things as may be necessary for availing of such facilities.

RESOLVED FURTHER that wherever required the Common Seal of the Company be affixed on all necessary documents as may be required to be executed for the purpose of availing of the aforesaid facilities.

RESOLVED FURTHER that in case of requirement of a specific authorization by any banker and/or financial institution, the same would be granted by way of ratification in the ensuing meeting of Board of directors.”

6. Matters with permission of the Chair

There being no other item to transact, the meeting concluded with a vote of thanks to the Chair.

Date:

CHAIRMAN