



SATYAM COMPUTER SERVICES LIMITED

**AGENDA FOR THE MEETING OF THE AUDIT COMMITTEE TO BE HELD ON
TUESDAY, NOVEMBER 18, 2008 AT 4.30 P.M AT SATYAM INFO CITY,
HITECH CITY, MADHAPUR, HYDERABAD – 500 081**

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ITEM # 1 Leave of absence

The Committee may consider and grant leave of absence to the directors who have requested for.

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ITEM # 2 Minutes of previous meeting

The minutes of previous meeting held on October 17, 2008 are attached for confirmation.

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SATYAM COMPUTER SERVICES LIMITED

**MINUTES OF MEETING OF THE AUDIT COMMITTEE HELD ON FRIDAY,
OCTOBER 17, 2008 AT 7.00 A.M. AT SATYAM INFO CITY, HITECH CITY,
MADHAPUR, HYDERABAD.**

Present

Prof. M. Rammohan Rao	Chairman
Dr. (Mrs.) Mangalam Srinivasan	Director
Mr. T R Prasad	Director
Prof. V S Raju	Director

In attendance

Mr. G. Jayaraman, Global Head - Corp. Governance & Company secretary

Invitees

1. Mr. V. Srinivas, Chief Financial Officer
2. Mr. VSP Gupta, Global Head – Internal Audit
3. Statutory auditors represented by Mr. S. Gopalakrishnan, Client Relationship Partner, Mr. Srinivas Talluri, Engagement Leader, Mr. Ch. Ravindranath, Engagement Manager and Mr R. Srinivasa Sankar, Engagement Manager.

1. Leave of absence

All the members of the committee were present.

2. Minutes of previous meeting

The minutes of previous meeting held on September 1, 2008, which were posted on the Board room portal for the information of members, were reviewed and confirmed in the meeting.

3. Presentation by statutory auditors

Before commencement of the presentation by statutory auditors, Mr. V. Srinivas, CFO briefly presented the financial highlights for the quarter and half year ended September 30, 2008, as given below:

- Consolidated financial results under Indian GAAP:
 1. Revenue was Rs. 2,819.29 crore; a YoY increase of 38.76 % and a sequential increase of 7.57 %.
 2. Net Profit after Tax was Rs. 580.85 crore; a YoY increase of 41.99 % and a sequential increase of 6.05 %.
 3. EPS for Q2 2009 was Rs. 8.63; a YoY increase of 41 % and a sequential increase of 5.8%.
 4. EBITDA margin for the quarter was 23.09 %
- Consolidated financial results under US GAAP:
 1. Revenue was US\$ 652.20 mn; up 27.98% YoY and 2.34 % sequentially.
 2. Net Income was US\$ 132.30 mn; YoY increase of 29.83 % and a sequential increase of 4.50 %.
 3. Basic earning per ADS for the quarter was US\$ 0.39; increase of 25.8 % YoY and up 2.6 % sequentially.
 4. Operating margins (EBIT) for the quarter was 20.33%.
- Margins dropped by 103 bps as against projection of 250 bps despite increments being given in this quarter.
- Margin outlook for the year has improved further.
- Continued improvement in controlling attrition.
- Net addition of 1814 associates.

After this, Mr. Srinivas invited the statutory auditors for their presentation.

Mr. Ravindranath, Engagement Manager made presentation on audit for the quarter ended September 30, 2008, covering the following:

- Significant accounting and auditing matters
- Audit approach
- Client service team
- Required communications

As part of the significant accounting and auditing matters, Mr. Ravindranath informed the following to the members:

- Company has acquired an intangible asset pertaining to Market Research and Customer Analytics from Caterpillar Inc for USD 60 Mn. Cost was recognised in the books and amortised over a period of 10 years, based on management's assessment of estimated useful life of the asset.
- Company has acquired standard SAP software licences for its internal use amounting to Rs.45 Crores for implementing the Enterprise Resource Planning (ERP) solution. As per Company's policy, the cost is entirely expensed as software charges.
- Company was awarded Rs.130 Cr contract towards implementation of Core Banking Suite Software by Punjab and Sind Bank in August, 2006. As of September 30, 2008 the Company has incurred Rs.40 Cr (approx) towards computers and related equipment and grouped under advances recoverable. As informed, pending completion of the pilot project, no revenues were recognized as of date.
- Company is contesting the Upaid Inc legal matters in the court of Michigan, US. Hearing of the case is expected in June 2009. We were informed by the management that there are no significant developments during the current quarter. Management is of the view that there would not be any liability on the Company in this regard.
- Company informed that there are no significant developments during the quarter with respect to Venture Global LLC legal case.
- In view of bankruptcy of one of its customer Lehman Brothers Inc, the company has provided the outstanding receivables and has not recognised revenues subsequent thereto. We were informed that there is no other impact on revenues/receivables on account of global meltdown of markets.

During the discussions, Dr. Mangalam Srinivasan enquired about the reasons for implementation of SAP, given that the company is already having Oracle financials as its ERP. It was informed that SAP being the robust tool, would be commensurate with the size and operations of the Company.

As regards the project of Punjab and Sind Bank, it was informed to the members that the project has taken longer time than normal and it has been a learning experience for the Company.

Mr. Ravindranath then presented the following communications as required and their responses.

Matter to be communicated	Our response
Auditor's responsibility under Auditing and Assurance Standards (AAS).	We conducted our audit of the financial statements in accordance with the AAS. Our audit is designed to obtain reasonable assurance that the financial statements are fairly stated.
Significant accounting policies, including auditor's judgement about the quality of accounting principles	The significant accounting policies adopted by the Company in preparation of the stand alone financial statements are in line with generally accepted accounting principles in India and also are in accordance with the accounting standards notified under the Companies (Accounting Standards) Rules 2006.
Potential effect on the financial statements of any significant risk and exposure	No significant risks and exposures have been noticed during our audit of the financial statements and as represented by the Management for the quarter and six months ended September 30, 2008 which have a potential effect on the financial statements, other than those disclosed under contingent liabilities and provided in the books of account.
Material uncertainties related to events and conditions, specifically going concern issues	No material uncertainties related to events and conditions specifically concerning going concern have been noticed during our audit of the financial statements for the quarter and six months ended September 30, 2008.
Management Judgements and Accounting Estimates	Significant management judgements and accounting estimates are in line with the generally accepted accounting principles.
Audit adjustments	There are no significant audit adjustments proposed during the period.
Disagreements with the management	There have been no disagreements with management.

Members noted and thanked the statutory auditors for their detailed presentation. After this, the statutory auditors left the meeting with permission of the chair.

4. Financial statements & related matters

At this stage, Prof. M. Rammohan Rao, Chairman of the meeting invited Mr. B. Ramalinga Raju, Chairman, Mr. B. Rama Raju, Managing Director, Mr. Ram Mynampati, Whole Time Director, Prof. Krishna G. Palepu, Director and Mr. Vinod K Dham, Director for the presentation on financial performance of the Company for the quarter and half-year ended September 30, 2008. Prof. Krishna G. Palepu participated through video conference.

The following financial statements were circulated to the members two days before the meeting.

- 1) Standalone financial statements (audited) for the quarter and half-year ended September 30, 2008, prepared as per Indian GAAP.
- 2) Consolidated financial statements (unaudited) for the quarter and half-year ended September 30, 2008, prepared as per Indian GAAP.
- 3) Consolidated financial statements (unaudited) for the six months ended September 30, 2008, prepared as per IFRS.
- 4) Consolidated financial statements (unaudited) for the six months ended September 30, 2008, prepared as per US GAAP.

Mr. V. Srinivas made a detailed presentation on financial performance of the Company.

The presentation covered the following:

- a) Guidance Vs. Actual for Q2-2009
- b) Guidance for FY 2008-09 and Q3-2009
- c) Revenue & Associate Analysis
- d) US GAAP Analysis
- e) IFRS – Reconciliation - Indian GAAP consolidated profit to Net Income
- f) Competitor information
- g) Historical information

During the presentation, members discussed extensively on foreign exchange fluctuations and Mr. V. Srinivas, CFO informed the members that the Company made a foreign exchange gain of Rs. 8 crores during the quarter ended September 30, 2008 as against most of the peers ended the quarter with forex loss.

Responding to the query of Mr. Vinod Dham regarding the current challenging circumstances, Mr. Srinivas mentioned to the members that some of our measures include improving loading factor, controlling of SG&A costs and moving onto business transformational services from mere software services, thus, turning challenges into opportunities.

Mr. Vinod Dham also enquired about World Bank matter and its misreporting. Mr. Ram Mynampati informed the members that the Company has been servicing them for the last 10 years and has won many accolades and appreciations from World Bank. He further informed that within two hours of misreporting, World Bank denied the rumors. The contract with World Bank ended in September 2008 and as per the policy of World Bank, it cannot continue beyond certain period and we have factored in the same in our guidance, he further informed.

With regard to acquisition of Merrill Lynch by Bank of America, Mr. Ram Mynampati informed the members that while Merrill is our client, Bank of America is not our client. However, senior officials of Merrill have become part of senior management of Bank of America and we are positive about our position post integration.

During the presentation on stock price performance, Prof. Krishna G. Palepu commented that despite the Company's best performance on all fronts the same is not being reflected in the stock performance and advised to review if the Company is lacking on communication front to the market. Mr. T.R. Prasad advised to present the performance of the stock in comparison with BSE IT index.

The Committee further deliberated on the financial statements and noted the following for the quarter and half-year ended September 30, 2008.

Standalone Audited financial results for the quarter ended September 30, 2008 as per Indian GAAP

Rs. In crores except as stated otherwise

Sl. No.	Particulars	Quarter ended September 30,		Growth over quarter ended September 30, 2007 (%)	Quarter ended June 30, 2008	Growth over quarter ended June 30, 2008 (%)	Half year ended September 30,		Growth over half year ended September 30, 2007 (%)	Year ended March 31, 2008
		2008	2007				2008	2007		
1	Income from services									
	-Exports	2,621.99	1,883.02	39.24	2,449.65	7.04	5,071.64	3,589.29	41.30	7,889.18
	-Domestic	78.53	65.22	20.41	77.25	1.66	155.78	118.03	31.98	248.10
	Total	2,700.52	1,948.24	38.61	2,526.90	6.87	5,227.42	3,707.32	41.00	8,137.28
2	Other income	83.46	108.20	(22.87)	29.62	181.77	113.08	170.05	(33.50)	257.20
3	Total income	2,783.98	2,056.44	35.38	2,556.52	8.90	5,340.50	3,877.37	37.74	8,394.48
4	Personnel expenses	1,622.89	1,251.05	29.72	1,469.40	10.45	3,092.29	2,310.43	33.84	5,045.54
5	Operating and administration expenses	428.36	295.58	44.92	408.89	4.76	837.25	582.57	43.72	1,263.20
6	Total expenditure	2,051.25	1,546.63	32.63	1,878.29	9.21	3,929.54	2,893.00	35.83	6,308.74
7	Profit before interest, depreciation/amortization and taxation (PBIDT)	732.73	509.81	43.73	678.23	8.04	1,410.96	984.37	43.34	2,085.74
8	PBIDT margin	26.32%	24.79%	-	26.53%	-	26.42%	25.39%	-	24.85%
9	Operating profit (PBIDT without other income)	649.27	401.61	61.67	648.61	0.10	1,297.88	814.32	59.38	1,828.54
10	Operating profit margin	24.04%	20.61%	-	25.67%	-	24.83%	21.97%	-	22.47%

11	Financial expenses	8.95	0.47	1804.26	1.53	484.97	10.48	0.98	969.39	5.94
12	Depreciation/amortization	57.92	32.68	77.23	39.95	44.98	97.87	65.23	50.04	137.94
13	Profit before taxation [7-(11+12)]	665.86	476.66	39.69	636.75	4.57	1,302.61	918.16	41.87	1,941.86
14	Provision for taxation	68.43	59.51	14.99	60.84	12.48	129.27	111.87	15.55	226.12
15	Profit after taxation (PAT)	597.43	417.15	43.22	575.91	3.74	1,173.34	806.29	45.52	1,715.74
16	PAT to Total income	21.46%	20.29%	-	22.53%	-	21.97%	20.79%	-	20.44%
17	Paid-up equity share capital (par value of Rs.2 per share)	134.70	133.71	-	134.50	-	134.70	133.71	-	134.10
18	Reserves excluding revaluation reserves	8,392.23	6,443.23	-	7,843.45	-	8,392.23	6,443.23	-	7,221.71
19	EPS - basic (Rs.) (on par value of Rs. 2 per share)	8.88	6.24	42.31	8.58	3.50	17.45	12.07	44.57	25.66
20	EPS - diluted (Rs.) (on par value of Rs. 2 per share)	8.71	6.09	43.02	8.41	3.57	17.13	11.78	45.42	25.12
21	Dividend per share (on par value of Rs. 2 per share)									
	- Interim Dividend (Rs.)	1.00	1.00	-	-	-	1.00	1.00	-	1.00
	- Final Dividend (Rs.)	-	-	-	-	-	-	-	-	2.50
22	Public Shareholding									
	- Number of shares	484,813,312	479,566,889	-	483,897,626	-	484,813,312	479,566,889	-	481,399,447
	- Percentage of shareholding	71.99	71.74	-	71.96	-	71.99	71.74	-	71.80

Consolidated financial results as per Indian GAAP

Rs. in crores except as stated otherwise										
Sl. No.	Particulars	Quarter ended September 30, (unaudited)		Growth over quarter ended September 30, 2007 (%)	Quarter ended June 30, (unaudited)	Growth over quarter ended June 30, 2008 (%)	Half-year ended September 30, (unaudited)		Growth over half-year ended September 30, 2007 (%)	Year ended March 31, (audited)
		2008	2007				2008	2007		
1	Income from services									
	-Exports	2,739.64	1,965.19	39.41	2,542.81	7.74	5,282.45	3,742.13	41.16	8,220.84
	-Domestic	79.65	66.53	19.72	78.02	2.09	157.67	119.78	31.63	252.65
	Total	2,819.29	2,031.72	38.76	2,620.83	7.57	5,440.12	3,861.91	40.87	8,473.49
2	Other income	79.58	110.54	(28.01)	33.12	140.28	112.70	173.74	(35.13)	267.20
3	Total income	2,898.87	2,142.26	35.32	2,653.95	9.23	5,552.82	4,035.65	37.59	8,740.69
4	Personnel expenses	1,721.10	1,302.75	32.11	1,541.21	11.67	3,262.31	2,408.93	35.43	5,259.50
5	Cost of software and hardware sold	0.43	0.68	(36.76)	0.26	65.38	0.69	0.93	(25.81)	2.32
6	Operating and administration expenses	446.84	325.59	37.24	447.09	(0.06)	893.93	639.06	39.88	1,376.84
7	Total expenditure	2,168.37	1,629.02	33.11	1,988.56	9.04	4,156.93	3,048.92	36.34	6,638.66
8	Profit before interest, depreciation/ amortization and taxation (PBIDT)	730.50	513.24	42.33	665.39	9.78	1,395.89	986.73	41.47	2102.03
9	PBIDT margin	25.20%	23.96%	-	25.07%	-	25.14%	24.45%	-	24.05%
10	Operating profit (PBIDT without other income)	650.92	402.70	61.64	632.27	2.95	1,283.19	812.99	57.84	1,834.83
11	Operating profit margin	23.09%	19.82%	-	24.12%	-	23.59%	21.05%	-	21.65%
12	Financial expenses	13.21	4.18	216.03	5.74	130.14	18.95	7.50	152.67	20.19
13	Depreciation/amortization	64.48	39.06	65.08	46.70	38.07	111.18	77.75	43.00	163.59
14	Profit before taxation [8-(12+13)]	652.81	470.00	38.90	612.95	6.50	1,265.76	901.48	40.41	1,918.25

15	Provision for taxation	71.96	60.91	18.14	65.25	10.28	137.21	114.07	20.29	230.36
16	Profit after taxation before minority interest	580.85	409.09	41.99	547.70	6.05	1,128.55	787.41	43.32	1,687.89
17	Minority interest	-	-	-	-	-	-	-	-	-
18	Profit after taxation and minority interest	580.85	409.09	41.99	547.70	6.05	1,128.55	787.41	43.32	1,687.89
19	PAT to total income	20.04%	19.10%	-	20.64%	-	20.32%	19.51%	-	19.31%
20	Paid-up equity share capital (Par value of Rs.2 per share)	134.70	133.71	-	134.50	-	134.70	133.71	-	134.10
21	Reserves excluding revaluation reserves	8,234.59	6,334.97	-	7,702.60	-	8,234.59	6,334.97	-	7,103.27
22	EPS – basic (Rs.) (on par value of Rs. 2 per share)	8.63	6.12	41.01	8.16	5.76	16.79	11.79	42.41	25.24
23	EPS – diluted (Rs.) (on par value of Rs. 2 per share)	8.47	5.97	41.88	8.00	5.87	16.48	11.51	43.18	24.71
24	Dividend per share (on par value of Rs. 2 per share)									
	- Interim dividend (Rs.)	1.00	1.00	-	-	-	1.00	1.00	-	1.00
	- Final dividend (Rs.)	-	-	-	-	-	-	-	-	2.50
25	Public shareholding									
	- Number of shares	484,813,312	479,566,889	-	483,897,626	-	484,813,312	479,566,889	-	481,399,447
	- Percentage of shareholding	71.99	71.74	-	71.96	-	71.99	71.74	-	71.80

Consolidated financial results as per International Financial Reporting Standards (IFRS)

US\$ in millions except as stated otherwise

Sl. No.	Particulars	Quarter ended September 30, (unaudited)		Growth over quarter ended September 30, 2007 (%)	Quarter ended June 30, (unaudited)		Half-year ended September 30, (unaudited)		Growth over Half-year ended September 30, 2007 (%)	Year ended March 31, (audited)
		2008	2007		2008	2008	2008	2007		
1	Revenue	652.2	509.6	27.98	637.3	2.34	1289.5	961.9	34.06	2,138.1
2	Gross profit	256.8	177.1	45.00	253.4	1.34	510.2	340.5	49.84	780.8
3	Operating profit	135.4	99.6	35.94	128.1	5.70	263.5	191.1	37.89	413.8
4	Finance income, net	11.2	13.9	(19.42)	14.9	(24.83)	26.1	29.5	(11.52)	60.4
5	Profit before income tax	146.7	113.5	29.25	143.1	2.52	289.8	220.6	31.37	474.3
6	Profit for the period	132.1	99.5	32.76	128.9	2.48	261.0	194.6	34.12	421.8
7	EPADS – Basic (US\$)	0.39	0.30	30.00	0.39	0.00	0.78	0.58	34.48	1.27
8	EPADS – Diluted (US\$)	0.39	0.30	30.00	0.38	2.63	0.76	0.58	31.03	1.24

Consolidated financial results as per US GAAP

US\$ in millions except as stated otherwise

Sl. No.	Particulars	Three months ended September 30, (unaudited)		Growth over three months ended September 30, 2007 (%)	Three months ended June 30, (unaudited)	Growth over three months ended June 30, 2008 (%)	Six months ended September 30, (unaudited)		Growth over six months ended September 30, 2007 (%)	Year ended March 31, (audited)
		2008	2007				2008	2007		
1	Revenues	\$652.2	\$509.6	27.98	\$637.3	2.34	\$1,289.5	\$961.9	34.06	\$2,138.1
2	Gross profit	257.7	179.3	43.73	251.6	2.42	509.3	342.4	48.74	778.9
3	Operating income	132.6	90.3	46.84	134.0	(1.04)	266.6	180.4	47.78	408.7
4	Operating income margin	20.33%	17.72 %	-	21.03%	-	20.67%	18.75%	-	19.12%
5	Income / (loss) before taxes, minority interest and equity in earnings / (losses) of associated companies	147.3	116.6	26.33	140.2	5.06	287.5	221.5	29.80	469.8
6	Net income	\$132.3	\$101.9	29.85	\$126.6	4.50	\$258.9	\$195.0	32.77	\$417.0
7	EPADS – basic (US\$)	0.39	0.31	25.81	0.38	2.63	0.77	0.59	32.20	1.25
8	EPADS – diluted (US\$)	0.39	0.30	30.00	0.37	5.41	0.76	0.57	33.33	1.23

Committee also noted the statements of reconciliation of consolidated profits under Indian GAAP with IFRS and US GAAP.

The committee thereafter reviewed the above financial statements and recommended for the approval of the Board of directors.

Management's discussion and analysis

The management's discussion and analysis on the US GAAP financial statements as circulated to the members two days before the meeting, was reviewed and approved.

Related party transactions

The summary of the related party transactions as contained in notes to accounts were reviewed and noted by the members.

There being no other item on the agenda, the meeting ended with vote of thanks to the Chair.

M. Rammohan Rao
Chairman

Date:

ITEM # 3 Presentation on Internal Audit

Mr. VSP Gupta, Global Head – Internal Audit will make a presentation on the internal audit, for the review by members.

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ITEM # 4 Recommendation of remuneration to auditors

Members of the Company at the Annual General Meeting held on August 26, 2008 approved the re-appointment of M/s Price Waterhouse, Chartered Accounts as statutory auditors of the Company for the period commencing from the conclusion of last Annual General Meeting till the conclusion of the next Annual General Meeting and authorized Board of directors to fix their remuneration. The details of proposed remuneration for the current financial year alongwith the remuneration paid for the previous financial year will be presented in the meeting.

The Committee may review details of remuneration for audit and non-audit services and recommend for the approval of the Board of directors.

ITEM # 5 Matters with permission of the chair

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