

## COMPANY WATCH: SATYAM COMPUTER SERVICES

- Satyam's percentage gain in share price 3 times of TCS & Wipro, double of Infosys in 2005
- High Expectations for the third quarter ending December 2005
- Better days ahead on margin front

### Market has Seen Something!

The stock market suddenly seems to be more interested in [Satyam Computer Services Ltd.](#), the fourth largest software services exporter of India, than the top leaders of the industry [Tata Consultancy Services \(TCS\)](#) or [Infosys Technologies](#). Ahead of the quarterly financial results, the rising interest in Satyam gives a clear indication that the market is expecting very positive results by the company for the third quarter ending December 2005. The stock ended the year 2006 at Rs. 737.80 (\$16.4) compared to Rs. 409.90 (\$9) at BSE on 31<sup>st</sup> December 2004, to register a growth of 80%. It outperformed all the three top companies TCS (27.5%), Infosys (43.5%) and Wipro (23.9%).

Company	12/30/05	12/31/04	%Change	11/30/05	1-Month %Change	Market Cap (Rs. bln)
TCS	1702.45	1335.50	27.48	1519.00	12.08	82.5
Infosys	2996.75	2089.00	43.45	2684.10	11.65	83.0
Wipro	463.45	374.00	23.92	422.35	9.73	66.5
Satyam	737.8	409.90	<b>80.00</b>	653.35	12.93	24.5
HCL Tech	539.05	343.25	57.04	509.00	5.90	18.0
i-FlexSol.	1074.7	636.55	68.83	989.55	8.60	8.2
Patni Comp	495.45	383.65	29.14	451.25	9.80	6.6
HCL Info	276.95	164.28	68.58	240.75	15.04	4.4

### The Up-trend Started 3 Months Back:

Satyam had not been the darling of the market as it witnessed steady decline in the margin for many years. But, things starting improving this financial year and the second quarter ending September 2005 came with 120 basis point improvement in the margin. It was considered the first material reversal after the prolonged phase of dull margins. Foreign broking firms have forecasted that margin improvement would continue for the next two quarters (December 2005 and March 2006). It may be followed by a dip in June 2006 quarter as it would have the impact of the next year's salary raises, but the remaining three quarters of the financial year 2006-07 ending March 2007 would again see some pull back.

### High Expectations:

Ahead of the quarterly financial results, many broking firms have given Satyam "Buy" or "Outperformer" ratings because of high expectations. Some of the foreign broking firms expect that Satyam's revenue may grow more than 40% year-on-year and more than 11% quarter-on-quarter in the Q3 ending December 2005. Analysts expect that the profit after tax (PAT) growth may be more than 58% year-on-year and more than 10% quarter-on-quarter during Q3. For the FY'05 ending March 2005, Satyam registered consolidated revenue of Rs. 34.64 billion (\$770 million) and profit after tax (net income) of Rs. 7.50 billion (\$166). The consensus view of market analysts says that Satyam may achieve revenue growth of 38.5% and PAT growth of 25.1% for the financial year ending March 2006. However, the third quarter results will have an extra-ordinary item, as Satyam sold its remaining 31.6% stake in Sify Ltd to US-based Infinity Capital Venture for \$62.6 in November 2005.