

Company Name: Satyam Computer Svc
Company Ticker: SCS IN
Date: 2008-12-16
Event Description: Acquisition of 100% Stake in
Maytas Properties and 51% Share in Maytas Infra by
Satyam Computer Serv

Market Cap: 152,656.00
Current PX: 226.55
YTD Change(\$): -225.45
YTD Change(%): -49.878

Bloomberg Estimates - EPS
Current Quarter: 8.561
Current Year: 33.319
Bloomberg Estimates - Sales
Current Quarter: 30316.125
Current Year: 114122.730

Acquisition of 100% Stake in Maytas Properties and 51% Share in Maytas Infra by Satyam Computer Serv

Company Participants

- Srinivas Vadlamani, Chief Financial Officer
- B. Ramalinga Raju, Founder and Chairman

Other Participants

- Rukhshad Shroff
- Priya Rohira
- Jayesh Shroff
- Joseph Foresi
- Ram Mynampati
- George Price
- Vikas Jadhav
- Chetan Sehgal
- Rod Bourgeois

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, good morning, good afternoon and good evening. This is Rochelle, the Chorus Call conference operator. Welcome to the Satyam acquisition conference call. As a reminder for the duration of this presentation, all participant lines are in the listen-only mode. And this conference is recorded. After the presentation, there will be an opportunity for you to ask questions. [Operator Instructions].

At this time, I would like to hand the conference over to Mr. Srinivas Vadlamani of Satyam Computers. Thank you, and over to you, Mr. Vadlamani.

Srinivas Vadlamani, Chief Financial Officer

Thank you, Rochelle. A very good evening and very good morning to all of you. And thank you for joining us to discuss on our diversification strategy and the acquisition of Maytas Infra and Maytas Properties. Joining me on this call are Raju and Ram.

Now before we start the discussion, I would like to draw your attention to the fact that during this call, we may make certain forward-looking statements concerning our future growth prospects. Such statements involve number of risks and uncertainties which are associated with our business. Please refer to our specific periodic filings in SEC of such risks. The company does not undertake to update any forward-looking statement that we will make from time to time by or on behalf of the company.

I now hand over the session to Raju.

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B. Ramalinga Raju, Founder and Chairman

Hello everyone. As we are aware the business environment that we are operating in is influenced by unprecedented events, anticipated slower growth, challenging economic and recessionary environment in developed markets, volatile and uneven foreign exchange regimes, greater focus on capital conservation are clouding our visibility in the market.

On the other hand, we are also encouraged by a greater role that the emerging geographies can play initiating the future. Even in the developed geographies there is an attempt to use infrastructure as an economic stimulus to kick-start the growth. As we look at the evolution of Satyam, we are reminded of the need to diversify the business model in the early part of the decade at the onset of the last downturn.

In hindsight, the diversification strategy as updated by the organization at that time proved to be a defining moment that led to a more resilient Satyam with reduced dependence to specific regions, verticals, and customers. Firstly, the situation aching to that time, we are driven by the need to adopt a diversified business strategy and also draw confidence from the success of the earlier diversification strategy.

For the past few quarters, our endeavor has been to strengthen the organization through appropriate and organized interventions that can sustain stakeholder delight. However, in recent times identifying large IT companies with compelling synergy has been a challenge given the poor visibility in this market. We believe that the incremental steps do not offer an adequate response to deal with the current scenario. In this background, we are excited to share with you a unique opportunity that can be again changed.

Maytas Infra, a 23-year old company, is engaged in the business of infrastructure construction and asset development encompassing core areas of India's economic growth such as highways, metro, railways, ports, transport management systems, airports, power, oil & gas, irrigation, water treatment, etcetera. The company's track record of delivering excellence has created a niche for itself with innovative business models capturing a strategic and significant share of the action in the infrastructure space.

Maytas Properties is a scale player in development of urban space infrastructure such as master planned integrated townships, special economic zones, hospitality, retail and entertainment spaces meeting the enormous and rapidly growing need for high quality spaces in Tier 1 and Tier 2 cities of India.

Maytas Properties is uniquely positioned in this sector to create value based on its own large and strategically located land banks, brand and technology alliances. We are pleased to share with you that the Board has approved a proposal to acquire 100% shareholding in Maytas Properties and 51% controlling stake in Maytas Infra. We see immense potential for the soft infrastructure capabilities of Satyam to influence the go-to-market strategy and operational efficiency in the infrastructure space.

The combined entity can quickly establish an eminent position in the fragmented infrastructure market. These two organizations have evolved with the same organization culture and emphasis on innovation and leadership as prevalent in Satyam. This, we believe would substantially smoothen the integration process which is often a challenge in any acquisition process. The two acquisitions paved the way for accelerated growth in additional geographies and market segments as transportation, energy, and other infrastructure sectors for the core IT business. This would derisk the core business by bootstrapping a new business vertically in infrastructure. The market segment can mitigate the risks attributed to developed markets and traditional verticals that are likely to be impacted by the recessionary economy.

The established brand of Satyam can further enhance the penetration into emerging markets and within the infrastructure industry. The two companies being acquired in the challenging market offer potential for significant upside in the future.

I would like to at this juncture reiterate our continued trust and emphasis in the global IT and IT Enabled Services. We remained focused to invest in strengthening the global partnership with our elite global customers and our endeavor to fill the gap with niche acquisition will continue.

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Our emphasis on investing in leadership, building competencies that represents the traditional, represent the transformational capabilities of the organization and bringing greater alignment between our service offerings and market needs would continue. We will make no compromises in pursuing our aspiration to be a leading player in the global IT solution space. We are confident that the combined entity will deliver greater shareholder values in an otherwise challenging environment. We are also convinced that the integrated organization would be stronger and more diversified to deal with the uncertainty of the market.

Srinivas Vadlamani, Chief Financial Officer

Thank you, Raju. Now we will throw up in the session for Q&A.

Q&A

Operator

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. Please note that participants who have logged into the conference call are allowed to ask questions and there is no specific priority. [Operator Instructions]. The first question is from the line of Ranjit Hosangady from UBS Securities. Please go ahead.

<Q - Rukhshad Shroff>: Yeah hi, actually it's Rukhshad Shroff from JF Asset Management. Can you hear me?

<A>: Yes Rukhshad.

<Q - Rukhshad Shroff>: Yeah. I'm actually very baffled with this transaction has been described as one that will cause delight to stakeholders. As an individual representing my clients I have everything but delight, I'm actually deeply shocked by this transaction. Could you please explain to me how many independent directors are on the Board and how they voted at this board Meeting to approve this transaction, please?

<A - Srinivas Vadlamani>: Yeah Rukhshad this is Srinivas here. Basically it is a unanimous decision, it is not been put to vote because we ask the – whatever overall growth prospects we are looking at we thought that this is the time to diversify into a another growth area because of – because we can use the basically same resource speculate another IT asset that IT asset also will have similar challenges in terms of growth, in terms of risks, cross currency headwinds, whatever. So, we thought that at a business model level derisking it – diversifying into another growth area, these are right decision rather than using this money to acquire another IT asset. So, that is broadly the thinking and it was unanimously passed at the board Meeting.

<Q - Rukhshad Shroff>: Well, is Maytas infrastructure it's a listed company, right?

<A - Srinivas Vadlamani>: Yes.

<Q - Rukhshad Shroff>: Can you tell me what's the price it was listed at?

<A - Srinivas Vadlamani>: It was listed at around 340 rupees or something – I don't exactly remember, but...

<Q - Rukhshad Shroff>: And what is the current share price sir?

<A - Srinivas Vadlamani>: It is around 480 rupees.

<Q - Rukhshad Shroff>: Right I see, because infrastructure is an area that has suffered quite dramatically in India, if you look at the way order books have been affected, if you look at the share prices the infrastructure companies, if you look at the industrial production numbers last reported for India they are actually negative. So it seems to me there is a very high correlation between your company's problems and infrastructures performance. I am not sure how the diversification would work in this rather tough environment because every industry and company seems to be facing equally difficult timing?

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<A - **Srinivas Vadlamani**>: Yeah. Rukhshad, here this – when this price while it is listed at around 340 rupees also – are so, but it went up to almost 1200 rupees and then it came back to around 475, 480 like that along with all other stuff. So it has also been hit and we thought this is the right time right valuation then things are low, low valuations in the right time to buy and also it is now sitting on a \$2.5 billion order book, \$2.5 billion. This is apart from recently one Hyderabad Metro Rail Project of another 3.2 billion. So that way the order book is very, very healthy and the prospects are very, very good. So and also of course the overall growth story for domestic infrastructure has been very, very good and the overall spend in the infrastructure is over \$400 billion, and there is a lot of thirst from the government on the infrastructure project. So from that point of view we can leverage and once this acquisition happens, then we will be able to leverage the Satyam brand and be able to grow that business much faster. So that way, these acquisitions are going to add lot of value to Satyam Computer shareholders in the next two to three years. So the – I mean that the – we have seen all these synergies and we thought that this is the right time to basically get -- I mean this is definitely a non-conventional move, no doubt about it. And, it is difficult for people to understand and stimulate, but I am sure that two to three years from now, they will understand, the kind of value that this acquisition brings to Satyam shareholders.

<Q - **Rukhshad Shroff**>: I think that the deal is very well understood. I think we will just to have to disagree on the value prospect and if the businesses are so attractive and valuable, I'm entirely surprised why the promoters are parting with it when they own between 50 and 100% of this to minority shareholders given the growth prospects and the attractiveness of the business. But, I'll be keen to hear what some of your other stakeholders have to say. Thank you.

Operator

Thank you. The next question is from the line of Priya Rohira from Enam Securities. Please go ahead.

<Q - **Priya Rohira**>: Yeah hi, continuing this on similar lines, could you give us what the value – what the advices on this front and what is the valuation logic behind the overall thing? And would it require shareholders' approval because being an IT services company, it does not seem to be in synergistic with the existing business?

<A - **Srinivas Vadlamani**>: Yeah, I mean this doesn't require the shareholder permission and coming to your other question on the valuations, now they can help of a Big Four firm and coming of at the valuations and also the valuations of Maytas Infra is based on these heavy guidelines.

<Q - **Priya Rohira**>: Okay.

<A - **Srinivas Vadlamani**>: It basically says last two weeks average and last six months average recovery is higher.

<Q - **Priya Rohira**>: Sure.

<A - **Srinivas Vadlamani**>: And, I mean the valuation...

<A - **B. Ramalinga Raju**>: If, I may add to what Srinivas has said, this is Raju here. In the earlier observation, a comment has been made that the prices in the infrastructure space are fairly explicit at this time. And then that is very much the case while in the IT industry the share prices have come down that has been more so in the infrastructure space. We had to make a judgment going forward as to what kind of strategies we would adopt such that we are able to not only maintain given growth but also risk mitigate the risk.

So those were the considerations for us to have taken this decision and from the – our point of view of Maytas Infra and Properties while there may be opportunities available for this end. It so happens that Maytas for example Maytas Infra is older than Satyam. It's used to be called Satyam construction and it was started about three years before Satyam itself. And both Maytas Properties and Maytas Infra have gone above their business adopting in a sense that for example Satyam would have adopted in that sense there is a very high degree of light-mindedness in the amount in which one pursue businesses. And therefore, we believe that the integration would be much better and that there is a clear white space in the infrastructure area and as compared to China, India has – it's not invested as much in infrastructure and in the next 5 to 10 years, the country would catchup and attempt to do as well and in doing so, we have limited number of organizations within the country that can be professionally operated to address this space. And

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we believe that the soft infrastructure in which we have specialized in can help in addressing some of the hard infrastructure opportunities as well. And this is a point of view I just wanted to have an opportunity to share.

<Q>: Just one more question sir. I need to check also if you can give us more details on our land bank from Maytas Properties and how is this valuation been done and if you could share who has done the valuation also?

<A - Srinivas Vadlamani>: Yeah, this is -- as I mentioned, this is Srinivas here. As I was mentioning this valuation is done by a Big Four firm and this company is sitting on land bank of around 6800 acres of land, claim land and in and around Hyderabad and also in Chennai and in Nagpur, in Vizag various places. And which has the potential to build around 245 million sft compared this with DLF which has got a land bank of 10,000 acres. So I recognize 10,000 acres of DLF we are having this company holds around 6800 acres of land. And they have the potential to build around 750 million sft whereas this has got 245 sft that can be build on this land. And if you look at the valuations, the valuation of DLF is roughly around 60,000 crores even today, even after the slowdown or even after the prices coming down. And we are talking of -- now this particular company being acquired at 6,500 crores. So that way the valuations are absolutely perfect, while I know that some of the investors are concerned that we are getting into an unrelated area. I agree with that, this is differently an unconventional move. But then, if you look at the value that it grows to this organization, this consolidated entity in the next 2 to 3 years. Because in India the infrastructure story is going to continue. I mean whatever temporary setbacks are there, but it will come back very fast at that time, the value that we realized from these assets will be huge amongst us.

So, at that time, I mean it is even difficult to quantify as to what kind of value-add that comes to this company. So, I mean that way the entire, the figure has we have taken up and in the Board Meeting also, the interested directors have abstained from meeting, the -- all the orders non-interested directors unanimously resolved. Again, this is again looking at the overall global environment and the growth prospect for this sector, then how to basically keep up the growth pace in the -- into the future.

<Q - Priya Rohira>: Thanks very much, and wish you all the best.

<A>: Thank you.

Operator

Thank you. Before, we take the next question, we'd like to inform participants to limit their questions to one, so that the management will be able to address questions from all participants. The next question is from the line of Pankaj Gupta of SBI Mutual Fund. Please go ahead.

<Q - Jayesh Shroff>: Hi this is Jayesh Shroff. I just wanted to know who were the valuers for this deal and why the management didn't think of returning the money to shareholders rather than paying back to the promoters of the company?

<A - Srinivas Vadlamani>: The evaluations have been assisted by a Big Four firm.

<Q - Jayesh Shroff>: I want the name sir.

<A - Srinivas Vadlamani>: No, no, we will not be able to disclose the name, but Big Four firm has -- have assisted us.

<Q - Jayesh Shroff>: Do you want to disclose the name to shareholders of the company, hello?

<A - Srinivas Vadlamani>: No, basically even some of these things, we need the clearance before actually we...

<Q - Jayesh Shroff>: No, I just want to know who were the valuers of the company and why you didn't return money to shareholders of the company, you paid some money to promoters of the company?

<A - B. Ramalinga Raju>: No, if I may please offer my comment, a company at any given time would be faced with many choices and one of the choices could be to in a way pay out in a way payout a dividend or buyback or any other things that was available as options. And now in our judgment, we believe that this is a good diversification strategy

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which in a way gives us access to assets that can add significantly more value than the liquid assets, which we would be sitting on and this is a judgment call and we believe that this is a good one. And I have used the term that we are excited and one of the gentlemen said that this is not the right term and may be still, but it's not our view. We view that this is certainly one which would create enormous value and we believe that we have the ability to better synergies out of these two businesses and we can run them parallelly. We can make sure that they both have an ability to establish a leadership position in those respective spaces while continuing to realize synergies, so we believe that this is a good move.

<Q - Jayesh Shroff>: All this money go to promoters of the company?

<A - B. Ramalinga Raju>: No, it's not -- it has simple as that in the sense that there are investors that are...

<Q - Jayesh Shroff>: Who the investors are the stakeholders in Maytas Infra and Maytas Properties? Will this money go to the company or the stakeholders of Maytas Properties?

<A - B. Ramalinga Raju>: See this Maytas Infra as you know the....

<Q - Jayesh Shroff>: I'm talking about Maytas Properties, sir?

<A - B. Ramalinga Raju>: Yeah, what is it, I'm sorry, I didn't follow?

<Q - Jayesh Shroff>: Will Satyam will pay for acquisition go to the promoter stakeholders of Maytas Properties or for their company?

<A - Srinivas Vadlamani>: If you...

<A - B. Ramalinga Raju>: No, no, see this is a 100% acquisition and therefore now this is a secondary.

<Q - Jayesh Shroff>: No, no, that means -- I mean will this money go to the promoters of Maytas Properties or will this go to Maytas Properties?

<A - B. Ramalinga Raju>: This money will go to the promoters of Maytas Properties.

<Q>: Sir, we are -- I am Pankaj Gupta [ph], we are completely shocked and we would like to present our note of dissent in front of all the participants. And one more thing is that....

<A>: You are putting the whole FDI story of India at risk by adopting such third grade corporate governance practices.

<Q>: And sir, if the -- if it is not going to pass it in the extraordinary general meetings then how can the minority shareholders defend to this kind of act. I think it's a change in object [indiscernible], it will require shareholders' approval?

<A>: No, basically see I mean that is not the...

<Q>: We want to express our note of dissent on these transactions?

<A>: No, this is...

<Q>: How can minority shareholders block this move?

<A - B. Ramalinga Raju>: This is not about....

<Q - Jayesh Shroff>: No foreign investor in the country will track any Indian company after your move. Do you understand the implication of this move, sir?

<A - B. Ramalinga Raju>: See I -- that means...

<Q - Jayesh Shroff>: Most violation of the corporate governance practices, if you did -- cannot see any opportunity in pursuing any acquisition or further growth in IT you should have returned the money to shareholders. You had no business, wasting money and paying back the promoters of Satyam and promoters of Maytas Properties.

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<Q>: And let the shareholder of Satyam decide whether to put the money into Maytas Properties or Unitech or DLF or Maytas Infrastructure?

<A - **Srinivas Vadlamani**>: But the – see look at the value...

<Q>: Let the shareholders take the decision?

<Q>: And why you are not taking this proposal to Annual General Meeting or Extra-Ordinary General Meeting. Why you are passing it unilaterally?

<A - **B. Ramalinga Raju**>: See this is what we have done is based on an assessment of value that we have seen.

<Q>: But why, you are pursuing value only of the promoter of Satyam. Why you could not look at any real estate property outer, out of – outside the group. Unitech is available at may be lesser valuation or some other companies available at still there are 100 companies which are available at...

<Q>: So, let this decision be taken by the shareholders of Satyam in the General Meeting.

<A - **B. Ramalinga Raju**>: See the point is that you know this is a decision that has been made based on judgments that have been...

<Q>: Understand, but the minority shareholders wealth is getting affected by this decision?

<A - **B. Ramalinga Raju**>: It is not – it is not about promoters, it is incidental that, that is so. And it is just that there is...

<Q>: That's why we are requesting let this decision be taken by the General Meeting of the company rather than the small Board?

<A - **Srinivas Vadlamani**>: One more point here, suppose – Srinivas here. Suppose, if the same money we have used to acquire another IT asset, same thing would have happened is it not?

<Q>: Money would not have flown to promoters of Satyam. This \$1 billion or whatever that money is flowing to promoters of Satyam who are also promoters of Maytas Properties.

<A - **B. Ramalinga Raju**>: And, if the valuation is right, what is wrong with that?

<Q>: No turning them, and we don't want to pursue real estate.

<Q>: As a shareholder of Satyam we are not interested in the company getting diversified into the unrelated business. So, this is our defend, you may be right that yes, you have done the right thing and we may be wrong, but our contention is that take this decision in the general meeting by having the consent of all the shareholders rather than only the Board.

<A - **B. Ramalinga Raju**>: No, see this is as an organization as we go forward we had to take decisions from time to time and when an evaluation is done and decisions are taken which involve third parties as well, it is something that is to be seen as being done in the normal course of business.

<Q>: And make it a transparent process and I believe that many participants in the call will share the same view as we have, we are sharing. Okay, that's our question, you can proceed on the phone call.

Operator

The next question is from the line of Mr. Joseph Foresi from Janney Montgomery Scott. Please go ahead.

<Q - **Joseph Foresi**>: Hello gentlemen. My first question, financial, from a financial perspective because I actually cover both infrastructure companies and IT services companies, typically those margins tend to be low in that particular business, is it safe to say that this is going to be margin dilutive move?

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<A - **Srinivas Vadlamani**>: No, this will be, I mean, in the case of Maytas Infra the margins are dilutive. There the profit after tax is roughly around 7%, but when it comes to Maytas Properties there the PAT is almost 20 to 25%. So, from that point of view overall we will not be seeing the much of a dilution, but so at the EPS level we will see some kind of a dilution only for the first year, second year onwards we will see huge improvement in the earnings per share.

So that way this is from the financial point of view and also if you look at our revenues FY'10 if you see the consolidated deal actually 20% of the revenues come from these two entities at a consolidated level after factoring in these acquisitions. Similarly that goes in FY'11 to 33% and then it will go up to almost 50% in FY'12. So that way the growth prospects for this industry are very, very huge whereas on the IT side we all seen in FY'10 we are not talking of flat growth rates and we don't know when it is going to recover, and the – over the years what happened is the business model of IT has grown that much more riskier. So we – our dependance per 95%, 96% comes from exports so dependent on developed economies we have cross currency and headwinds various things are there. So we thought that instead of putting this money in another IT asset which will be suffering from similar kind of downsides and risks, so we thought that it may be better to get into a domestic business which is really burgeoning at this point in time, and we expect there is lot of emphasize on infrastructure in India. The government itself is spending huge amounts of money to propel the economic growth and all that. So from that point of view we are very well positioned, and I think we are all getting one way bias because this money is going to X, Y, Z but if I acquire another IT company same thing would have happened, it would have gone to another group of people. So – but if we just limit our discussion to the kind of the value that gets added to this enterprise that is going to be among us.

<Q - **Joseph Foresi**>: Okay, but I guess probably what most of the market is wondering why would you reduce a very strong balance sheet by a non-core business, that's going to be margin dilutive, even if it is a defensive move, usually it would probably make sense to, especially in this particular environment to hold on to that balance sheet or hold on to that cash and then probably on top of that there is some family relationships within both companies, which makes the move a little bit more curious. So, I wondered if you could just perhaps talk a little bit about I know you talked about the offshore market being difficult one, but markets across the globe are pretty difficult, I wondered if you could talk a little bit about any of the synergies that you see in this non-core business and how you plan on moving those margins higher?

<A - **B. Ramalinga Raju**>: Yeah, let me offer some broad comments, just as a thesis behind the thinking for this move has been made. We believe that there are opportunities which we have to continue to pursue in the IT and BPO space, the equivalent process that we have done in the past and that we should maintain, continue to maintain our leadership position. That is one. The second thing is that we had some choices to make. We could distribute the available funds, we could buy back shares or we could to acquisitions. Now, when it came to acquisitions, we've been looking into the various options that were available to us over a long period of time and we were quite concerned about acquiring IT companies, which were sizable particularly coming from developed country markets, because we have seen over a period of time that the cost structures they were high, competencies are not necessarily any higher than what organizations like Satyam have built, and even leadership was not the main differentiator. So that was becoming clear that we cannot go down that path.

Now, among these few choices that we had of either the distributing the cash or buying back the shares or resorting to some kind of acquisition of an asset, we believe that the asset that we can acquire in the infrastructure space particularly at a time when the country is talking about \$500 billion of infrastructure spend over the next few years, particularly in the background of China over the last 10 or 20 years having built physical infrastructure, which, while it is much needed in India has not growing at the same degree. Therefore we clearly expect that a lot would happen there. Now as compared to 40 or 50 companies in China of given size and infrastructure space, there hardly a couple of those in India, which have the same capability. So, we believe that we could parallelly establish a leadership position in the infrastructure space.

Now, in the next 4 to 5 years, we expect the combined Satyam and Maytas to have a balanced proportion of something like 50% in the IT services, and about 50% in the infrastructure space being the – being the revenues. Now, the proportion, the margins as far as the infrastructure is concerned it would be obviously lower than what it would be in

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the IT space. But, when it comes to the township development, SEZs and the property space the margins, we would expect them to be higher. And on the balance, we believe that we can grow the profitability in a healthy manner driven by higher growth rates. So, this was the background in which, this decision has been made.

<Q - Joseph Foresi>: Okay. I guess I was more – curious about the synergies between these two businesses. If you're working to spend shareholder or your balance sheet or your cash on a counter-cyclical business, there are plenty of those available out there. So, I was wondering if you could talk a little bit about what the synergies are and between the – this new acquisition, I agree it will be on the growth prospects, and what the synergies are?

<A - B. Ramalinga Raju>: Now, I would like to offer a brief comment and after that Ram had something to say. As far as the synergies are concerned, one of the primary things is that we would be having a significant four ACEs made into infrastructure related services. And in fact, we are already servicing Maytas Infra and we expect a longer-term relationship yielding much better revenues, we will have a couple of airports and ports and other things that have been pursued. Therefore the infrastructure space there will be services opportunities that we can access particularly in the developing country markets. And second thing is that we believe that as we establish a leadership position in the infrastructure space in emerging markets particularly out of India and few other countries, there is a need for more process driven, technology driven infrastructure organizations to be in place and we believe that the support that Satyam can provide for such an organization to be built would be high. Ram wanted to add something.

<A - Ram Mynampati>: Yes, this is Ram Mynampati here, but here I wanted to just limit my comments to the synergies that again you talked about, there are two ways to look at this, one in an economy, particularly in the established markets, in the traditional verticals while there will continue to be growth opportunities, we certainly have seen and we will see somewhat muted growth rates for these markets and services, so our endeavor is to see, okay, what avenues exists for us to deploy the same services in different market segments and different geographies. In particular as the last couple of years we've been focusing on delivering services that are integrated both vertically and horizontally and have a transformational impact as far as the value that was being created is concerned and that includes consulting, that includes systems integration not necessarily IT systems interrelation and program, project management of the highest category and highest value. We see that in addition to the consulting and the integration and transformational services, we see an opportunity for us to extend the reach of engineering services into this area. We see an opportunity to extend the enterprise-related services in this area. BPO opportunities are plenty as we look at this market.

There are two other dimensions that I would like to share with you as what we have looked at in terms of synergy. Number one, to serve the projects and the opportunities that the infrastructure companies would have booked as the order that itself is a significant opportunity to drive greater operational efficiency. We also believe that with leveraging Satyam's mature services in the areas that I have mentioned and also some of the areas that we will get into in order to better support the infrastructure practice, we believe that our go-to-market strategies to attract more infrastructure project would be that much greater and we also feel that what we can create and mature in markets like India, can be delivered to other emerging geographies in both complementary as well as ancillary areas in the same infrastructure space. So, as we look at, what other markets, what other market segments that are largely remaining unexplored for the core IT and IT-enabled services, this market and the geographies where these markets are seen as growth engines offer significant potential for us to deploy our services to drive operational efficiencies as well as partnering that these companies to define more effective go-to-market strategy. So, we are very, very excited about the extended reach for our services with this integrated organization.

<Q - Joseph Foresi>: Just one last question here. I know that there is obviously some inter-linking family relationships here, and I was wondering if you could basically talk to what they are and explain what role they played and you decided to make this acquisition?

<A - B. Ramalinga Raju>: Just to clarify Maytas, just to give the background of the organization. Satyam Computer Services started in 1987 and Satyam Construction as it was known at that time started in 1984 or 1985. And it used to be at that time called Satyam Construction, and in the 90's the name has been changed to Maytas and those companies continued to run independently and we have maintained the norms linked [ph] relationship. These companies while

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they operated independently the philosophies and approaches that they would have taken was in one sign it was reflective of a certain work culture that we have in Satyam itself. The – currently Maytas Properties before it was acquired was headed by in the capacity of Vice Chairman by my younger son who was -- who has done MBA at University of Michigan and the CEO is one Mr. Thiagarajan and who comes with a rich background with rich professional background. Now as we acquired this company, the decision that was made was that, we would not have the continued association of my son, because we believe that in a professional environment in which we are operating and as far as Satyam is concerned there is enough talent here to continuous take care of the operations there. So there will not be any continued association there. And as far as Maytas Infra is concerned, Maytas Infra we are acquiring 51% stake and this would, the process would take about 2.5 months to 3 months for the open offer to get completed. And it is at that time that we would have to decide as to whether my elder son who was again educated in the US and for the last seven years being involved in the business will continue. Well that is the case. This is being done by professionals who come from rich backgrounds.

<Q - Joseph Foresi>: Okay. Thank you.

Operator

Thank you, Mr. Foresi. The next question is from the line of Mr. George Price of Stifel Nicolaus. Please go ahead.

<Q - George Price>: Hi. I just wanted to clarify a couple of things and make sure I had it all together. In terms of the, in terms of the family relationships, sir your son is the Vice Chairman of Maytas Properties. On the infrastructure board side, I'd also see what may potentially be other family members, is that the case?

<A - B. Ramalinga Raju>: No, as far as Infra is concerned in fact it is primarily dominated by the external Board members. We have a couple of professionals on the Board who are associated with the company. And then we have few independent directors. And there is only one family can touch on Maytas Infra.

<Q - George Price>: I'm sorry, can you repeat that last statement please?

<A - B. Ramalinga Raju>: There is only one family had the presentation on Maytas Infra, which is Teja Raju who is my elder son, and he is the Vice Chairman.

<Q - George Price>: Okay. What's the percentage ownership of these family members of these companies. How much of Properties and how much of Infra do they own?

<A - B. Ramalinga Raju>: As far as Infra is concerned, the promoter stake is 36%. And as far as the property – properties is concerned, it is a combination of some of the immediate family and other related investors.

<Q - George Price>: Yeah, so I'm sorry the family's specific ownership of Infra and Properties?

<A - B. Ramalinga Raju>: In family specific ownership is 36%...

<Q - George Price>: 36%, okay.

<A - B. Ramalinga Raju>: As far as Infra is concerned...

<Q - George Price>: Then Properties?

<A - B. Ramalinga Raju>: And the Properties, I would not be able to give a specific number at this stage, but it also depends on how we define family, particularly in Indian context, is it immediate family, extended family, relatives, friends so on and so forth. But, as far as, let's speaking for myself and my family, it would be in the order of something like 35% or so.

<Q - George Price>: And just to be clear, what is the, so you mentioned some revenue that you are already providing to, I believe to one of these companies, to Infra, what work or how much work are you doing for them, how much work you are doing for Properties and is there any and what work, they are then doing for Satyam, I want to understand the

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related parties there?

<A - B. Ramalinga Raju>: There is a very limited, there is absolutely no work that is being done between Maytas Properties and for that matter Maytas Infra also absolutely none, excepting a recent win of a metro project of 72 kilometer metro being implemented for the city of Hyderabad. This is estimated to cost around \$4 billion or so. Recently Satyam has signed up an understanding to provide given services, but the revenues that we would have derived from that is quite limited. It would be, I would, it would be in the order of 1 million or so in the last few months, because this is the recent win, other than that we have absolutely no relationship with Maytas Infra or Properties whatsoever. In fact we have all along made it an absolute practice that none of the Satyam developments are handled by either Maytas Properties or Maytas Infra. So, we have maintained that arms length in a diligent manner right from the beginning.

<Q - George Price>: Okay. I guess lastly just a comment given that your stock at this point is, that is the ADRs in the US is indicating down about 40% at this point. I think the issue here I don't necessarily disagree with your outlook on infrastructure opportunities in India and other parts of Asia in fact I agree with that. I think the problem here is that investors want to make the decision as to how to make that play, how to invest to play that. They don't want the management of an IT services company to be making their diversification decisions for them. That's not why they bought your company, you've changed the face of the company, you had a very nice balance sheet, a good return business and it's totally different without so much as an investor expressing their opinion before the decision was made. That's the issue and I think that's a big, big challenge for you to reconcile going forward, and I'll just leave it at that.

Operator

Thank you. The next question is from the line of Vikas Jadhav of Motilal Oswal Securities. Please go ahead.

<Q - Vikas Jadhav>: Yes, this, we have almost \$1.2 billion is now out of the Satyam's balance sheet, \$400 million debt is coming in. We already have around 600 crores of debt on the Satyam's balance sheet. In these tougher times and there is no revenue visibility, don't you think so the cash would be impacted with these no cash and the – sometimes balance sheet would be impacting the existing IT business?

<A - Srinivas Vadlamani>: Now this is Srinivas here see basically if you look at yes that is coming, but what we thought is that any kind of an incremental thing may not really have the required impact on the consolidated financials. We thought that, we'll go ahead and do this so that the overall value addition to the enterprise in the next two to three years is going to be very, very profound. As I was mentioning to you infrastructure has a huge potential and that is going to definitely add lot of value to the enterprise. So, that is the reason why we have decided, that we will do this in non-conventional – it is definitely a non-conventional, unconventional move, but I'm sure that in a medium term, nor even in the near term people will realize that this is definitely more value adding.

<Q - Vikas Jadhav>: Mr. Raju, this is Naveen here. I just have a follow-up question. I just wanted to understand given that you decided all the opportunities available in the IT sector are probably not worth given the valuation or the – or your own outlook of the IT business. When you decided to zeroing on the infrastructure business, could you take us through what kind of thinking process that you went through in terms of selection of companies? Did you reject a lot of companies, did you get into NDAs [ph] with many other companies or did you decide that this was a group company, which you were familiar with and aware of, this was possibly the best choice without evaluating any other companies or how what was the timeframe over when the decision was taken.

<A - B. Ramalinga Raju>: See, this is one thing that I would like to clarify is that this is a space that we understood fairly well. As I have mentioned this is a space in which we have operated for longer than the IT space itself and we had a fairly good idea about the opportunities in this space. Now, first about the choice about the infrastructure opportunity being pursued was, it's fairly straightforward in my opinion based on at least whatever comments that I have made. That's how we have looked at it.

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Now, within that we had a good understanding of what is happening in this space and we have looked at this for a quite considerable period of time, but it is in the last few months that we have gotten in to fairly detailed evaluation. And the fact that any acquisition needs to consider an ability to bring together the organization and have a similar culture was certainly a good attraction and it goes without saying that we had to give a lot of thought to making sure that the valuations were right. And in fact now we have taken a conservative view, it is quite obvious to anyone to have Maytas Infra when the acquisition is made it is made at no premium being considered and it is somewhat uncommon for any prominent group to offer itself for acquiring without any premium being attached to that. So, the point I'm trying to make is that we have been extra cautious when it came to the valuation. The question then was, should we acquire a, b, or c? And since we understood the space well and we had fair amount of confidence about the quality of management and the quality of asset within the Maytas Group, we felt more confidence in making the move to further pursue this and once it has gone through the required due diligence we have come to this conclusion today.

<Q - Vikas Jadhav>: So, can I conclude that if activity given your own comfort or understanding of a group company of yours effectively there was no serious discussion with any other company in terms of acquiring in the property, I'm not referring to the infrastructure space, I'm specifically referring to Maytas Properties there are large proportion of this money outflowing, so in the real estate space you did not think of or you did not talk to any other company before you decided to pay \$1.3 billion for related group company?

<A - B. Ramalinga Raju>: No, we have, it goes without saying that we have done fair amount of analysis and evaluation. You are asking us to whether we have had a dialog with any sizable organization. We have not done that, no.

<A - Srinivas Vadlamani>: But if you look at the valuations themselves other than the fact that it is into a different area, otherwise in terms of the observations there as per the norm. So, in fact we have taken the help of the Big Four firm and accounting the value we've done. If you look at the land banks this company owns, 6800 acres of land and the kind of space it can build 250 million sft. It is comparable to some of the bigger player. And the value we are paying is a fraction of what other people are – other players in this field are enjoying. That is from the valuation perspective absolutely there is no dilution. We have completely compared with various other players and accordingly fixed this. And I mean, the only I thing, only fact that we're getting carried away is because this is owned by promoters and their relatives. So that is the only thing otherwise in terms of valuation absolutely they are comparable and there is no issue at all.

<Q - Vikas Jadhav>: Mr Raju given that Satyam has believed in the philosophy of very clearly articulating its strategy to investors on a very consistent basis, and also giving out quarterly and annual guidance. Don't you think it would have been appropriate given that you have a very enormous institutional holding in your stock with whom you are interact very frequently to have taken to have given some kind of a hint of diversification may be without any specific details. And also of the order of magnitude of investments that you may commit, given that you have such a large institutional ownership don't you think that would have been in the best interest of the corporate governance policies that you have been professing all this while?

<A - B. Ramalinga Raju>: If I may offer some comment. It is – it so happens that when it comes to any acquisition, there is quite a lot of confidentiality that one is compiled to maintain and this is something that we have done in the past. And each time we have done an acquisition, select people you know, who could be involved in the process. And how -- to the extent that we were convinced that this is going to add significant value for the organization to the extent that we were convinced that we can passionately drive creation of value for our shareholders has we have done in the past.

And we had, we were driven by such commitments and it is in that spirit that, we have lost no time in -- coming out and wanting to interact with you, share with you, what went through our mind and what we truly believe. And I would like to restate that this is a move we believe, which would be one that is comparable to moves that we have made in the year 2000. We have changed our strategies, we have given a lot of importance to diversification, we both in terms of geographies, verticals, technologies are being expanded. And then an emphasis meant for leadership development so on and so forth. So that we have more distributed leaderships so on and so forth.

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This is a diversification of different kind, this may come as a surprise to many, I must admit that I am rather surprised about given a number of people who don't seem to the same value that someone like myself is seeing, but I truly believe that here is a rare opportunity to build a parallel business in a highly, in a potential area. And while doing so not dilute even a small bit, the leadership position that we have pursued in the IT industry itself and there are opportunities to realize synergies between these two entities on an ongoing basis. So these are the thoughts that went through our mind and we have followed a certain decision process if not in my opinion very different from what we have done in the past.

<Q - Vikas Jadhav>: Mr. Raju, I have just the last two questions from few of our offshore clients, who could not be on the call, but have asked us to put across this question to the management. They want to understand what was the rationale of rejecting the possibility of pursuing a buyback given the cash that the company held and given the extremely attractive valuations that the stock was coating at?

<A - B. Ramalinga Raju>: It is fairly obvious that how we have viewed things six months ago is very different from how we view things today. In the last several months, dramatic changes have happened. IT companies as you well know have, in a way downgraded their guidance for the year and as we are looking to the next year, our confidence level about at least next one or two years is much lower than it would have been about half a year ago or a year ago. It is, in that background we have to view things. If the market is not going to provide robust growth opportunities, at that time if you are choosing to use the liquid assets in a particular manner, they didn't, they are in one sense distributed. You are buying back and then you have some given shareholders benefit, this creating an asset that holds very high potential, particularly at the present time we have a situation of the infrastructure stock being at in my opinion at their lowest and therefore there is going to be only a significant upside and this we believed is an excellent risk mitigation strategy. And then therefore and have versus of buyback, we felt that this is a better option as to exercise.

Operator

Thank you very much sir. The next question is from the line of Chetan Sehgal of Templeton. Please go ahead.

<Q - Chetan Sehgal>: Yeah, good evening Mr. Raju. First of all on behalf of Templeton, I would like to say that we are totally opposed to this decision. We think that the decision of doing a transaction with related parties will deplete Satyam Computer Services of tax resources. We do think that returning share, money to the shareholders was a better option. I think even if people, investors want to play the property theme or the infrastructure theme, they can do so as mutual funds and institutional investors we have, we can also buy Maytas Infrastructure if you want to. And therefore, we don't need to buy Satyam Computers to buy Maytas Infrastructure. On the property arm, obviously very little is known about the property arm and the only thing we knew is that the revenues are \$90 million, that is what is being indicated by the press release, but that is beside the point. The point is that we do not want this decision to be taken and we are willing to go to any length to prevent this thing from happening. Apart from the odd ownership which you have and the management opposition you enjoy in the company, there are also minority shareholders which are existing and we think that it will be in the best interest that Satyam withdraws this proposal.

Operator

Thank you Mr. Sehgal. The next question is from the line of Mr. Rod Bourgeois of Bernstein. Please go ahead.

<Q - Rod Bourgeois>: Yes, guys -- let me start by just asking a basic question, and that is -- is this decision reversible and are you open to the feedback that you're getting, I mean, I think the shareholders are clearly voting that the way stock is trading today down 50% or so. So, I guess the question that you're open to the feedback that you're getting and is this decision reversible?

<A - B. Ramalinga Raju>: You know it is, there are other parties involved and I -- that has to be evaluated, I'm not sure if I can comment on the reversibility for the transaction.

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<Q - Rod Bourgeois>: All right. Well then I guess then the immediate question then I see is one that there has not been aired yet and that is have you cleared this idea with your core client base. In other words your IT services clients may be unfortunate thing that I see here is that in the last couple of years you've added creditability to your IT services unit, and a lot of that has been on the yields of our ERP services business. But, I'd be very surprised if this move is not going to be discomfoting to your core IT services client base. And so the question is, I mean do you have any reason to believe this move is going to help you build your relationships with your core IT services clients. If its not then there is no rationale for doing this deal. And so that's the question and I have is, how is this going to help your relationships with your core IT services clients?

<A - B. Ramalinga Raju>: We believe that it would in no way dilute our ability to service our existing clients. And I believe if the communication is right that they will continue to see value in the offerings that we have. And therefore we do not at this time see any risk arriving out, their confidence being not as it was.

<Q - Rod Bourgeois>: You don't have any worry that this is going to cause your core clients to worry that you are taking your eye off the ball in the IT services business, you are moving in to an area that's not for the services that you are providing to them?

<A - B. Ramalinga Raju>: No, we believe that if we do the right thing, when make the right moves, that would not be the case. It is not uncommon for services company particularly companies, particularly out of India to belong to a group of, that's an, conglomerate or conglomerates it is there are more number of IT services companies in India of certain size today which have diversified into many areas than a single one and therefore we believe so long as we are able to given the confidence to our customers that what we have to officer remains quite in tact and it would in no way compromise our ability to continue to make investments in the required assets and leadership and technologies which we believe we will continue to be able to make.

<Q - Rod Bourgeois>: Right. And the other thing I'm trying to decipher in the commentary today is whether the motivation to do this acquisition is a function of something that went really wrong in your core IT services business or whether it just the motivation to move into what you view as a growth market on the infrastructure side. You've made some comments that might imply that you are not that excited about the growth that you see in the IT services space and I just want you to...

<A - B. Ramalinga Raju>: I would like – I would like not to be misunderstood – it is the second one that you would have commented, stated which is very much the case. We are not in anyway reducing the emphasis on the IT and BPO services. If at all, we believe that it only holds the much greater opportunities. That we are also conscious of the fact that the environment in the next one or two years is going to be more challenging that there is a very little doubt about that. It is – the very fact that few Indian companies have downgraded their current year's guidance speaks for that. That was the case even in with Satyam.

While that is the case, we do not believe that two environment would last for very long, things will get reviled and the growth opportunities will continue to be there for IT. So, this is not about in anyway diluting the emphasis that we are placing on IT. All we are seeing is that, here is an opportunity for us to build competencies and business around the sector that has – shows growth opportunities and we feel that, these two will act as balancing factors in providing consistent opportunities for value creation within the company. So, it would be, then one – these are two bullocks that would draw the cart.

<Q - Rod Bourgeois>: Got it. So, one final question, your shareholders obviously are not happy that you are trying to diversify on their behalf. So to speak to that audience can you articulate a reason why you feel you have a unique advantage to manage this infrastructure business and whether their synergies up from a management perspective that allow you to run that infrastructure business better as an IT services core than if the investors were to just invest directly in that business on their own?

<A - B. Ramalinga Raju>: See as I have stated this is one space that we understand quite well. I was mentioning earlier that Satyam Construction which is now Maytas Infra is older than Satyam itself and the difference is that the opportunities in that space in the 80s or 90s are very different from the opportunities that are presented at this time,

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because India has established a consistent growth record and on account of that we believe that infrastructure will be a significant growth area. The government also wanting to a special emphasis on the same and there are not too many players here. Therefore in our judgment we made a choice based on putting the available liquid assets to goodwills, such that we are able to provide greater opportunities for the investors in the medium and long-term, and we truly believe that to be the case.

<Q - Rod Bourgeois>: I think you mentioned that the revenues from the acquired businesses would jump from about 30% of the combined entity to around 50% at some point. Can you elaborate on where that jump in revenue contribution would come from than in accounting sort of lumpiness or is there a business reason why the revenues would jump that way?

<A - B. Ramalinga Raju>: No, no, all we were saying was that in a matter of 4 to 5 years the, even the growth rates in infrastructure to be higher than the IT and BPO space as we expect that will result in a greater proportion of revenues in the due course to be derived from the infrastructure space and index space providing a better balance and a greater consistent growth.

<Q - Rod Bourgeois>: All right guys for listen into the feedback.

Operator

Thank you Mr. Bourgeois. Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the conference over to Mr. Srinivas Vadlamani and their management for their closing comments.

Thank you, Rochelle. And I would like to thank on behalf of everyone here, all the people was present on this call and for giving their valuable feedback. We will be basically available for any clarifications, so please be, if you have anything, you can also send e-mails to Investor Relations at Satyam.com. So, thanks once again and good day and good evening.

Operator

Thank you Mr. Vadlamani. Thank you gentlemen of the management. Ladies and gentlemen thank you for choosing the Chorus Call Conferencing Facility. Thank you for your participation and you may now disconnect your lines. Thank you.

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