



IIMC-CRC-2016-01

IIMC CASE RESEARCH CENTRE (IIMCCRC)

ARPITA GHOSH

SEPTEMBER 2016

SATYAM COMPUTER SERVICES LIMITED: ANALYSIS OF THE FINANCIALS

INTRODUCTION

On 31st December 2008, Mr. Parekh was considering whether he should buy the stocks of Satyam Computer Services Ltd (Satyam), the fourth largest¹ Indian IT company. He was confused by three different analysts' recommendations. While Angel Broking firm had recommended a 'Buy' for Satyam, the Edelweiss Securities Limited had a 'Sell' recommendation. Emkay Global Financial Service, on the other hand, had a "Hold" rating. Parekh was aware that even though Satyam's Board had approved the acquisition of Maytas, Satyam had to call off the deal in view of severe investor criticism. He had also read that four of the company's directors namely, Dr. Mangalam Srinivasan, Mr. Vinod Dham, Prof. Ram Mohan Rao and Prof. Krishna Palepu had resigned from the Board immediately after the investors' reaction.

Parekh was touched by the passion of B. Ramalinga Raju, the Chairman and Founder of Satyam, for social cause reflected in the works and awards of Byrraju Foundation, Emergency Medical

¹Satyam was fourth largest Indian IT Company in 2008 on the basis of total assets and revenues. The first three were: Tata Consultancy Services, Infosys Technologies and Wipro

Arpita Ghosh of the Indian Institute of Management Calcutta developed this case study as the basis for class discussion. The case was prepared solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation.

Indian Institute of Management Calcutta gratefully acknowledges the financial contribution of 23rd batch of PGP alumni in fully supporting the expenses toward development of this case study at the Case Research Centre of the institute.

Copyright © 2017, Indian Institute of Management Calcutta.

and Research Institute (EMRI), Health Management Research Institute (HMRI) and Satyam Foundation Trust. Parekh knew that the former Chief Minister of Andhra Pradesh, N.C. Naidu, had been so impressed by Raju's contribution in turning the state into India's global IT hub that he described Raju as unofficial IT ambassador & adviser for the state. Parekh also knew that Satyam had bagged numerous laurels particularly for corporate governance and disclosures. 'Golden Peacock National Award for Excellence in Corporate Governance' in September 2008 and the top ranking in the global technology industry for "Best Earnings Release and Financial Disclosures Procedures" were the latest feathers in its cap. Parekh was wondering how good the fundamentals of the company were - whether the company was undervalued by the market, and whether this was the right time to buy its stock.