

SATYAM COMPUTER SERVICES LTD

Form 424B4

May 11, 2005

Table of ContentsFiled Pursuant to Rule 424(b)(4)  
Registration No. 333-122996**Satyam Computer Services Limited****13,043,480 American Depositary Shares****Representing 26,086,960 Equity Shares**

13,043,480 American Depositary Shares, or ADSs, representing 26,086,960 of our equity shares are being sold by the selling shareholders. Each ADS offered represents two equity shares of Satyam Computer Services Limited. We will not receive any of the proceeds from this offering.

Our outstanding ADSs are traded on the New York Stock Exchange under the symbol SAY. The last reported sale price of our ADSs on the New York Stock Exchange on May 9, 2005 was US\$23.00 per ADS. Our equity shares are traded in India on The Stock Exchange, Mumbai and The National Stock Exchange of India Limited. The closing price for our equity shares on The Stock Exchange, Mumbai on May 9, 2005 was US\$9.80 assuming an exchange rate of Rs. 43.45 per dollar.

**Investing in our ADSs involves certain risks, see Risk Factors beginning on page 9.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	Per ADS	Total
Initial price to public	\$ 21.5000	\$ 280,434,820.00
Underwriting discounts and commissions	\$ 0.5375	\$ 7,010,870.50
Proceeds to selling shareholders, before expenses	\$ 20.9625	\$ 273,423,949.50

The selling shareholders have granted the underwriters an option exercisable within seven days from the date of this prospectus to purchase up to an aggregate of an additional 1,956,520 ADSs, representing up to an additional 3,913,040 equity shares, from them at the initial price to the public, less the underwriting discounts and commissions.

The underwriters are offering the ADSs subject to various conditions. The underwriters expect to deliver the ADSs in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on May 16, 2005.

**Merrill Lynch  
International****JPMorgan****Citigroup****Bear, Stearns & Co. Inc.****Lehman Brothers****Gilford Securities Incorporated****Janney Montgomery Scott LLC**

Prospectus dated May 10, 2005

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell or solicitation of an offer to buy only the ADSs offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information in this prospectus is current only as of its date.

**The offered ADSs may not be offered or sold, directly or indirectly, in India or to any resident of India, except as permitted by applicable Indian laws and regulations.**

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**CURRENCY OF PRESENTATION AND CERTAIN DEFINED TERMS**

In this prospectus, references to U.S. or United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. References to \$ , US\$ or dollars or U.S. dollars are to the legal currency of the United States and references to Rs. or rupees or Indian rupees are to the legal currency of India. Our financial statements are presented in Indian rupees and translated into U.S. dollars and are prepared in accordance with United States Generally Accepted Accounting Principles, or U.S. GAAP. References to Indian GAAP are to Indian Generally Accepted Accounting Principles. References to a particular fiscal year are to our fiscal year ended March 31 of such year.

Unless otherwise stated in this prospectus or unless the context otherwise requires, references in this prospectus to we, our, us, Satyam and our company are to Satyam Computer Services Limited and its consolidated subsidiaries and other consolidated entities.

Except as otherwise stated in this document or for numbers derived from the financial statements, all translations from Indian rupees to U.S. dollars contained in this document have been based on the noon buying rate of Rs.43.62 per \$1.00 in the City of New York on March 31, 2005 for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

This prospectus includes statistical data about the information technology, or IT, industry that comes from information published by sources including International Data Corporation, a provider of market and strategic information for the IT industry and the National Association of Software and Service Companies, or NASSCOM, an industry trade group. This type of data represents only the estimates of International Data Corporation and NASSCOM and other sources of industry data. In addition, although we believe that data from these sources is generally reliable, this type of data is inherently imprecise. We caution you not to place undue reliance on this data.

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**SUMMARY**

*You should read the following summary together with the risk factors and the more detailed information about us and our financial results included elsewhere in this prospectus or incorporated by reference. See Incorporation of Documents by Reference.*

We are a global IT solutions provider, offering a comprehensive range of IT services to our customers, including application development and maintenance services, consulting and enterprise business solutions, extended engineering solutions, infrastructure management services and business process outsourcing, or BPO. We began providing IT services to businesses in 1988 and are currently the fourth largest Indian IT software and services company, based on the amount of export revenues generated during the fiscal year ended March 31, 2004. Our revenues grew to \$793.6 million in fiscal 2005 from \$414.5 million in fiscal 2002, representing a compound annual growth rate of 24.2%. For the same period, our net income grew from \$42.4 million to \$153.8 million. The number of our employees, whom we refer to as associates, grew from 9,532 as of March 31, 2002 to 20,690 as of March 31, 2005.

We provide services to customers from various industries including manufacturing, banking and financial services, insurance, healthcare, retail and transportation. We also provide services to customers in telecommunications, infrastructure, media and entertainment and semiconductors, which we refer to as TIMES. We leverage our global delivery model to deliver high quality, cost effective IT services to our customers located around the world.

In May 2001, we completed an offering of 16,675,000 ADSs (representing 33,350,000 equity shares) in the United States and elsewhere outside of India. On May 15, 2001, our ADSs were listed on the New York Stock Exchange, or the NYSE.

In June 2002, we established our majority-owned subsidiary, Nipuna Services Limited, or Nipuna, to provide BPO services. Nipuna offers product support, technical help desk, back-office transaction processing and customer care services in the areas of finance and accounting, human resources, claims administration and document management. Nipuna has recently added services such as research, analytics and animation to its portfolio of service offerings.

Over the past decade, there has been a significant increase in the use of professional IT firms to provide computing services worldwide. Global IT services spending is estimated to total \$400.0 billion in 2004 and is projected to grow at a compound annual growth rate of 6.4% to reach \$512.8 billion by 2008, according to International Data Corporation.

We believe the following aspects of our business help our customers address the challenges posed by today's evolving business and IT environments:

***Comprehensive range of services combined with specialized industry expertise.*** Our comprehensive range of end-to-end technology-based services encompasses application development and maintenance services, consulting and enterprise business solutions, extended engineering solutions, infrastructure management services, and BPO services. This range of services enables us to broaden our dialogue with potential customers, deepen our relationships with existing customers and diversify our revenue base. Our services are built on a foundation of a rich understanding of the industries in which our customers operate and the underlying technologies that drive those industries. Our industry-focused business units such as manufacturing, banking and financial services, insurance, TIMES, healthcare, retail and transportation allow us to understand the strategic issues facing our customers in each industry.

***Flexible, highly evolved delivery model.*** We provide our services through 20 development centers located in Australia, Canada, China, Hungary, India, Japan, Malaysia, Singapore, United Arab Emirates, United States and United Kingdom, as well as onsite teams operating at our customers' premises. Over the past decade, we have made substantial investments in our infrastructure, processes and systems allowing us to evolve our global delivery model to effectively integrate offshore, offsite, nearshore and onsite services and perform a greater volume of work at our offshore

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development centers. This delivery model seeks to provide customers with seamless solutions in reduced timeframes, enabling them to achieve operating efficiencies and realize significant cost savings.

***Established leadership position in consulting and enterprise business solutions.*** Our consulting and enterprise business solutions help customers optimize their operating costs, enhance the efficiency of their business processes and improve their overall competitiveness. These solutions span the development, implementation, integration and maintenance of various enterprise-wide applications. Our solutions are enhanced by our strategic alliances with more than 60 leading technology providers. Our highly evolved delivery model, coupled with our industry expertise and technology competencies, allows us to provide customers with a value proposition in consulting and enterprise solutions.

***Strong relationships with blue chip customers.*** We have long-standing relationships with large multinational corporations built on our successful execution of prior engagements. We believe that we have significantly more Fortune Global 500 and Fortune U.S. 500 corporations as customers, relative to our scale of revenue, as compared to other leading Indian IT services companies. Our track record of delivering comprehensive solutions based on demonstrated industry and technology expertise has helped in forging strong relationships with our major customers and gaining increased business from them. We have a history of high customer retention and derive a significant proportion of our revenues from repeat business.

***Track record of high quality execution.*** We are committed to achieving operational excellence in our processes and infrastructure. Our quality assurance programs form an integral part of our project management methodology and seek to ensure that we consistently deliver high quality services to our customers. We constantly benchmark our processes, people and infrastructure against globally recognized standards.

***Culture of innovation.*** We have a history of innovation that is facilitated by our entrepreneurial culture and our management's willingness to make strategic investments in growth markets. Our technology laboratories continue to develop and bring to market new solutions based on new technologies. We have also been innovative in our internal organization and have introduced industry leading practices in hiring, resource planning and knowledge sharing.

Our goal is to be a leading global provider of comprehensive IT solutions and services. To achieve this, we have developed a growth strategy based on the following:

leveraging our long-standing customer relationships;

cross-selling our comprehensive range of services;

continuing to focus on enterprise-wide business solutions by providing high quality value-added services;

expanding our presence in existing and new markets;

continuing to enhance our industry expertise;

attracting and retaining quality technical associates; and

selectively pursuing attractive technology alliances and acquisitions.

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We were incorporated under the laws of the Republic of India in 1987. Our principal executive offices are located at Bahadurpally Village, Qutbullapur Mandal, R.R. District, Hyderabad 500 855, India, and our telephone number at that address is (91) 40-5523-3505. Our website address is [www.satyam.com](http://www.satyam.com) and information contained on our website does not constitute a part of this prospectus.

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**The Offering**

ADSs offered by the selling shareholders	13,043,480 ADSs representing 26,086,960 equity shares, constituting approximately 8.2% of our issued and outstanding equity shares before and after this offering, excluding 1,322,110 shares held by Satyam Associate Trust.
Over-allotment option granted by the selling shareholders	The selling shareholders have granted the underwriters an option exercisable within seven days from the date of this prospectus to purchase up to an aggregate of an additional 1,956,520 ADSs, representing an additional 3,913,040 equity shares, from them at the initial price to the public, less the underwriting discounts and commissions.
Selling shareholders	See Principal and Selling Shareholders for more information on the selling shareholders in this offering.
The ADSs	Each offered ADS represents two equity shares, par value Rs.2 per share. The offered ADSs are evidenced by American Depositary Receipts, or ADRs. See Description of American Depositary Shares and Description of Equity Shares.
ADSs to be outstanding after this offering	30,054,557 (assumes no exercise of the underwriters' over-allotment option to purchase additional ADSs).
Equity shares to be outstanding before and after this offering	318,404,208 equity shares, including shares underlying the ADSs and excluding 1,322,110 shares held by Satyam Associate Trust.
Offering price	The offered ADSs are being offered at a price of \$21.50 per ADS.
Depository	Citibank N.A., New York.
Use of proceeds	We will not receive any of the proceeds from the sale of these ADSs.
Listing	We are listing the offered ADSs on the New York Stock Exchange, or NYSE. Our outstanding equity shares are traded in India on The Stock Exchange, Mumbai and The National Stock Exchange of India Limited.
NYSE symbol for ADSs	SAY.
<b>The Indian Invitation to Participate</b>	

We have prepared and sent to all holders of our equity shares an invitation to participate in this offering by submitting their equity shares for sale in this offering pursuant to Indian regulations. Our invitation to participate has been mailed to holders of equity shares. Holders of ADSs are not eligible to participate in the transactions contemplated by the invitation to participate. We are not purchasing any equity shares in this transaction. Equity shares will be purchased solely by the underwriters from the selling shareholders for sale in this offering. Under the terms of the invitation to participate, the related

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letter of transmittal, escrow agreement and other documents, the shares to be sold by the selling shareholders will be held in escrow by Citibank, N.A., Mumbai, as escrow agent, until such time as they are required to be deposited with Citibank N.A., Mumbai, as custodian on behalf of Citibank N.A., New York, the Depositary, against the issuance of ADSs representing such shares and to be delivered to the underwriters under the terms of the underwriting agreement entered into by us, the underwriters and the selling shareholders. The successful completion of these transactions by us, the selling shareholders and the escrow agent is a condition precedent to the underwriters' obligation to purchase any ADSs in this offering.



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The following summary consolidated historical financial data should be read in conjunction with, and are qualified by reference to, our financial statements and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus and our other reports filed with the SEC which have been incorporated herein by reference. The statement of operations data for the five years ended March 31, 2005 and the balance sheet data as of March 31, 2005, 2004, 2003, 2002 and 2001 are derived from our consolidated audited financial statements including the notes, which have been prepared and presented in accordance with U.S. GAAP. The statement of operations data for the three years ended March 31, 2003 and the balance sheet data as of March 31, 2003, 2002 and 2001 is as restated to give effect to the restatement of shareholders' equity and net income to reflect the impact on deferred tax liabilities and income taxes of our equity in the losses of Sify. As of December 9, 2002, we ceased to hold a controlling interest in Sify Limited, or Sify, and subsequently changed the method of accounting for our interest in Sify from the consolidated accounting method to the equity method. Consequently, financial data as of March 31, 2005, 2004 and 2003 and for the years ended March 31, 2005 and 2004 reflect our interest in Sify accounted for under the equity method and are not comparable to the financial data as of March 31, 2002 and 2001 and for the years ended March 31, 2003, 2002 and 2001 which reflect our interest in Sify accounted for on a consolidated basis.

**Year Ended March 31,**

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>(dollars in thousands, except per share and per ADS data, or as stated otherwise)</b>					
<b>Statement of Operations Data</b>					
Revenues:					
IT services	\$ 786,684	\$ 565,028	\$ 458,336	\$ 413,906	\$ 310,307
BPO	6,913	1,293			
Software products		51	871	585	
Total revenues	793,597	566,372	459,207	414,491	310,307
Cost of revenues <sup>(1)</sup>	(506,776)	(343,596)	(275,219)	(240,304)	(208,121)
Gross profit	286,821	222,776	183,988	174,187	102,186
Operating expenses:					
Selling, general and administrative expenses <sup>(2)</sup>	(124,325)	(101,627)	(116,893)	(139,588)	(124,100)
Amortization of goodwill				(16,997)	(24,728)
Impairment of goodwill				(81,115)	
Impairment of other non-marketable investments			(3,299)		
Reversal of put option charge			19,843		
Total operating expenses	(124,325)	(101,627)	(100,349)	(237,700)	(148,828)

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	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	(dollars in thousands, except per share and per ADS data, or as stated otherwise)				
Operating income/(loss)	162,496	121,149	83,639	(63,513)	(46,642)
Interest income	22,339	20,309	7,158	3,806	5,732
Interest expense	(458)	(471)	(800)	(2,856)	(9,632)
Gain on sale of shares in associated companies/ other investments	66	2,652	830	45,594	
Gain/(loss) on foreign exchange transactions	(4,611)	(8,874)	(4,757)	10,813	5,816
Other income/(expenses), net	326	2,270	(1,746)	1,277	646
Income/(loss) before income taxes, minority interest and equity in earnings (loss) of associated companies	180,158	137,035	84,324	(4,879)	(44,080)
Income taxes	(25,304)	(22,544)	(9,769)	(769)	2,346
Minority interest			11,082	73,406	25,772
Income before equity in earnings/(losses) of associated companies	154,854	114,491	85,637	67,758	(15,962)
Equity in earnings (losses) of associated companies, net of taxes	(1,094)	(2,631)	(3,339)	(25,401)	(5,467)
Net income (loss)	\$ 153,760	\$ 111,860	\$ 82,298	\$ 42,357	\$ (21,429)
Earnings (loss) per share:					
Basic	\$ 0.49	\$ 0.36	\$ 0.26	\$ 0.14	\$ (0.08)
Diluted	0.48	0.35	0.26	0.14	(0.08)
Earnings (loss) per ADS:					
Basic	0.98	0.71	0.53	0.28	(0.16)
Diluted	0.96	0.71	0.52	0.28	(0.16)
Weighted average equity shares used in computing earnings per shares (in thousands):					
Basic	316,184	313,155	311,797	305,751	269,943
Diluted	323,569	317,057	318,658	307,113	269,943
Weighted average equity shares used in computing earnings per ADS:					
Basic	158,092	156,578	155,899	152,875	134,972
Diluted	161,785	158,529	159,329	153,556	134,972
Cash dividend per equity share	0.12	0.08	0.03	0.02	0.02
Cash dividend per ADS	0.24	0.17	0.06	0.02	

(1) Inclusive of stock-based compensation expense of \$775 thousand, \$853 thousand, \$1,591 thousand, \$7,212 thousand and \$31,336 thousand in fiscal 2005, 2004, 2003, 2002 and 2001 respectively.

(2) Inclusive of stock-based compensation expense of \$1,193 thousand, \$772 thousand, \$2,930 thousand, \$3,582 thousand, \$14,782 thousand in fiscal 2005, 2004, 2003, 2002 and 2001 respectively.

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	As at March 31,				
	2005	2004	2003	2002	2001
	(dollars in thousands)				
<b>Balance Sheet Data</b>					
Cash and cash equivalents	\$ 129,815	\$ 86,730	\$ 62,202	\$ 243,454	\$ 66,068
Investments in bank deposits	411,623	332,133	259,359		
Total assets	884,126	713,768	561,694	515,502	481,099
Total long-term debt, excluding current portion	1,137	1,826	1,738	2,712	