

THE NEED FOR FINANCIAL STATEMENTS

As mentioned in the previous chapter, the financial statements are used by different stakeholders. Imagine that you are successful executive who has some savings. You are exploring the possibility of investing your savings in the capital market. Suppose you want to understand whether you can invest in Satyam computers services ltd. Some of the questions that you would like to be answered are as follows:

- Is Satyam a safe investment option?
- Will there be capital appreciation more than the usual bank based investments?
- Will the company declare the dividend on time?
- Will it be possible to sell the shares in a short notice?
- How did Satyam perform in the past?
- Where to get the necessary information?

Answer to these questions can be found in the annual report which contains the three financial statements: balance sheet, income statement, and cash flow statement. These statements have the ability to provide the necessary information to make a person like you to be well an informed investor. Following are the places where one can get the necessary financial information:

- The company web site: in this case -www.satyam.com
- The company details on the stock exchanges: National Stock Exchange and Bombay Stock Exchange.
- Online trading firms: <http://content.icicidirect.com/research/>
- CMIE Data base: www.cmie.com

Table 2.1 shows the data available on Icidirect.com

Table 2.1

Company Snapshot - Satyam Computer Services Ltd.

ICICI Code : SATCOM

Industry : Computers - Software

Company Profile		Fundamentals	
Registered Office	Mayfair Centre Floor I 1-8-303/36 Secunderabad - 500003 Andhra Pradesh India	Market Capitalization (Rs cr)	24,617.70
Tel.	27843222	Book Value	98.63
Fax	27813166	Debt / Equity	0.00
Website	www.satyam.com	P/E	19.86
Chief Executive	Mr. B Rama Raju	Dividend Yield %	0.93
Company Secretary	Mr. G Jayaraman	EPS	37.99
Business Group	Satyam Group	Return on Net Worth	28.60
		Current Ratio	6.13
		Quick Ratio	6.13
		Interest Cover	577.73

Incorporation Date 05/05/1992

Price History

	NSE	BSE
Date	04/08/2006	04/08/2006
Open Price	763.00	765.45
High Price	772.25	772.40
Low Price	746.30	747.10
Close Price	753.55	754.45
Number of Trades	36,606.00	13,750.00
Traded Quantity	1,979,746.00	575,030.00
Traded Value	1,503,692,946.85	436,844,268.00
52 Week High	918.40	890.00
52 Week Low	487.25	487.10

Price Chart



Balance Sheet

	Rs. cr	
Year	2006/03	2005/03
Source of Funds		
Equity Capital	64.89	63.85
Prefrential Capital	0.00	0.00
Reserves and Surplus	4,268.75	3,153.17
Secured Loans	12.57	9.87
Unsecured Loans	0.00	0.00
Total	4,346.21	3,227.34
Application of Funds		
Gross Block	1,153.16	937.70
Accumulated Deprecation	803.74	685.41
Net Block	349.42	252.29
NetCurrentAssets	3,764.21	2,831.89
Total	4,346.21	3,227.34

Latest Quarterly Results



Introduction to Financial Statements

OPM (%)	25.64	24.12	1.52
GPM (%)	25.57	24.10	1.47
NPM (%)	25.96	19.91	6.05

Company News		Analysts Estimates			
		Brokers recommendation		Earning Per Share (EPS)	
		Strong Buy	6	Actual (31 Mar 2006)	37.03
		Moderate Buy	6	Surprise	21.41
		Hold	1	Consensus Estimates	
		Moderate Sell	1	EPS1 (31 Mar 2007)	39.55
		Strong Sell	0	EPS2 (31 Mar 2008)	46.72

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