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L&T appoints Citigroup, Nomura on Satyam

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MUMBAI: Larsen & Toubro is understood to have appointed Citibank as their investment banker in their race to acquire Satyam. While the board of the software company is yet to invite formal bids from interested firms, the infrastructure giant has always maintained that it has a strategic interest in Satyam.

However a Citi spokesperson declined to confirm the development. L&T also declined to comment.

The transaction (to acquire Satyam) will be complex as no bidder has a clear picture about the assets and liabilities of Satyam and the board will not be able to give them the re-stated accounts. Under these circumstances, the valuation of Satyam is going to be a challenge. "The biggest question right now is what is the sustainable value of Satyam considering the uncertainty of its liabilities," said Vyapak Desai who heads the litigation practice at law firm Nishith Desai Associates.

On Wednesday, L&T chairman A.M Naik said they had not arrived on a valuation for the company as they were awaiting information from the Satyam board. "We have to see company documents before we decide on a valuation. We are as concerned about anyone else on the legal risks involved and will consider that also," Mr. Naik had said earlier. However, the company has so far invested Rs 650 crore for its 12% stake in Satyam at an average price of Rs 78 per share.

While class action suits filed in US courts by US shareholders against Satyam management might not be a direct concern for the acquirer, the liabilities will have to be paid from Satyam's funds. "US shareholders may not be able to join the acquiring company in the class action suits. The impact may be indirect as the liabilities will have to be paid of from Satyam's funds thus eroding the share value of the acquirer in Satyam," said Mr Desai.

However, L&T has ruled out their stake sale in case of a dilution, as the board has proposed a preferential allotment of Satyam's shares. "There is no question of a sell out even if our stake gets diluted (due to the preferential allotment announced by the Satyam board) or we do not acquire the company. I am sure whoever comes in will increase its valuation and thereby increasing the value of our own holding" Mr Naik had said earlier.

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